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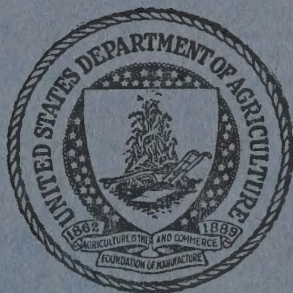
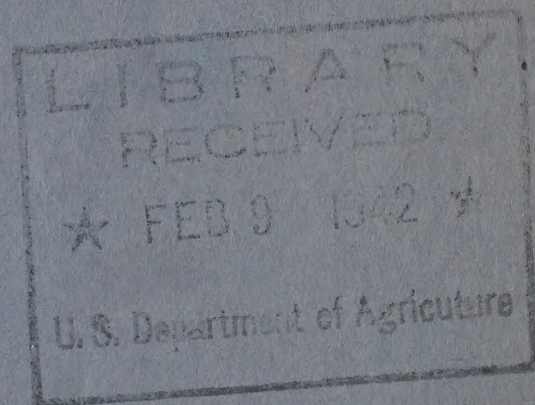
**Report of the Administrator  
of the**

**U.S. Surplus Marketing Administration**

**1941**

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# REPORT OF THE ADMINISTRATOR OF THE SURPLUS MARKETING ADMINISTRATION, 1941

UNITED STATES DEPARTMENT OF AGRICULTURE,  
SURPLUS MARKETING ADMINISTRATION,  
Washington, D. C., October 31, 1941.

HON. CLAUDE R. WICKARD,  
*Secretary of Agriculture.*

DEAR MR. SECRETARY: I herewith present a report on the activities of the Surplus Marketing Administration for the fiscal year ended June 30, 1941. This was the first year of operations by this Administration under the provisions of Reorganization Plan No. III effective June 30, 1940. Mr. Milo Perkins served as Administrator during the entire fiscal year.

Sincerely,

ROY F. HENDRICKSON, *Administrator.*

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## AGRICULTURAL MARKETING AND DISTRIBUTION PROGRAMS TODAY

Conditions growing out of the war have given added emphasis to the twin problem of seeing that the Nation's farmers have adequate markets for their full production and that all of this country's people are supplied with enough of the right kinds of foods needed for good health.

Good farm income and good nutrition go hand in hand. The national defense program has increased employment. Many families have had their incomes improved and more money is being spent for food. To the extent that this has taken place, farmers have benefited directly. However, not all families have or will share in the economic advances resulting from the defense effort. In fact, the problems of many people are likely to become more acute as the defense program progresses.

### WHAT THE PROGRAMS DO

As long as millions of Americans have low incomes and inadequate buying power, it is in the public interest to see that their limited food supplies continue to be supplemented. From the standpoint of the Nation, it means a healthier and stronger citizenry. From the standpoint of farmers, it means keeping open a wider market and improving the income from the total supply of food produced by them.

Through such activities as the Food Stamp Program and the direct purchase, school lunch, and other distribution programs, the Department of Agriculture, through the Surplus Marketing Administration, is maintaining broader markets for agricultural products, and at the same time these programs make it possible for millions of consumers to get the food they need. Thus, farmers are aided in getting a fair return on their full production and needy consumers are able to obtain more food necessary for an adequate diet. This is a real contribution toward strengthening the economic and health defenses of the Nation.

### FOOD FOR ALL

The Department's Food-for-Defense Program, announced by the Secretary of Agriculture on April 3, 1941, gave new significance to the Surplus Marketing Administration's programs and machinery that had been developed for dealing with agricultural marketing and distribution problems. This program focused the country's attention on the need for increased production of food and gave farmers assurances and the incentive to expand their output.

More food was needed in this country to meet the greater demand resulting from increased consumer buying power and the expanding military forces. Large supplies were needed for shipment abroad under the terms of the Lend-Lease Act which had been enacted about a month before the Food-for-Defense Program was announced. Re-

quirements for Red Cross shipment to war-torn areas had to be taken into account. Also there was the continuing need for more food by families and others dependent on public aid.

#### THE DEFENSE ASSIGNMENT

The job assigned to the Surplus Marketing Administration was that of utilizing and adapting its purchase and distribution mechanisms to the broader task growing out of the defense emergency. This new job called for purchasing foodstuffs for lend-lease shipment to countries fighting for democracy's cause, and supporting market prices so that farmers could see their way clear to increase their production of the commodities that were required in greater abundance for domestic and export uses. Existing programs of the Surplus Marketing Administration had to be geared in with this defense assignment.

At the very outset it was apparent that the program of buying for lend-lease shipment and to support farm prices could not be conducted in a cut and dried manner. Lend-lease funds could not be made available until after the goods required had been turned over for export. Before this could be done, however, specific requisitions had to be received, the purchases made, the commodities shipped to the docks, and the entire transaction audited. Limitations on ocean shipping and shipping space aggravated the problem. At the beginning it was practically impossible to know in advance the exact kinds of foodstuffs that were needed for shipment abroad, the time they were required, and the amounts of each.

#### QUICK ACTION NECESSARY

Flexibility in the buying program was necessary so that supplies could be available when and where they were needed, and so that American farmers could benefit to the utmost from the purchase operation. Time was an important factor. Farmers were completing their spring plans for production. Even a short delay during this spring planting and breeding season would mean the loss of a full production year. The buying machinery had to be put into gear immediately, or else farmers stood to lose. This was especially true for dairy and poultry farmers because it was at the time of the year when egg and milk production was at the highest level.

Arrangements for financing initial purchases were made so that the buying program could start immediately. The facilities for this also were in the Department of Agriculture. The Commodity Credit Corporation made available \$90,000,000 to be repaid from lend-lease funds collected in payment for commodities turned over for export. With these funds, it was possible to begin buying in anticipation of export needs.

#### FARMERS BENEFIT

Large scale purchases of foodstuffs were made at the very beginning even though actual requisitions under the lend-lease authority had not yet been issued. Had this not been done, dairy products and eggs, for instance, would have moved out of the farmers' hands and into storage at the usual seasonally low price levels. The bene-

fits from a market strengthened by later purchases would have gone to handlers and speculators. The effect of early buying of foodstuffs was reflected in the prices farmers received. At the time of the year when they could take positive action to expand their production, farmers were given the incentive to move forward. The advances in prices resulting from the buying operations went to the producers and not to the speculators. This added materially to total farm income.

After the buying program got started, it was possible to meet immediate requests for many of the foodstuffs needed for export from stocks which had been acquired. Buying was heaviest in those commodities expected to be exported. Concentrated foods such as pork, evaporated milk, cheese, eggs, and other products high in nutritive values were the main items. Carrying out the purchasing operations was facilitated by the British Government's food mission which had been sent to this country as soon as the machinery for making lend-lease purchases had been established. By collaborating with the British representatives, it has been possible to anticipate food needs for shipment abroad and to plan and make the purchases in a more certain manner.

#### USES FOR COMMODITIES BOUGHT

In addition to being available for lend-lease use, commodities bought can be used for domestic distribution to families receiving public aid and for school lunches, to meet requirements of the Red Cross for shipment to war refugee areas, or for reserves. The fact that all these outlets exist makes it possible to operate the purchase program more boldly in safeguarding the national interest. For example, if some commodity bought with the expectation of being exported is not to be shipped, it can be used for the school lunch program. There are some 9,000,000 children in this country who are eligible for school lunches, and who could eat much more of the farm products bought. Only half of them are being reached now with only half the food they could use.

The various ways that are available for moving the supplies of foodstuffs bought provide the kind of flexibility that is essential in safeguarding not only the interests of the farmer and the consumer, but the national interest as well. In the first place, the purchase program can be operated so as to reflect to farmers all possible benefits. Secondly, the commodities bought can be directed and used so as to bring about the greatest improvement in nutrition and health defense—not only for this country's friends abroad, but also for the millions at home who need a better diet.

#### BUYING POWER AND FOOD

Higher payrolls, with men back at work, are one of the most important factors in the present favorable situation for improvement in farm income for many crops—particularly the nonbasic crops. Many families are now able to afford eggs and milk and meats which they could not afford before. This increased domestic demand is undoubtedly the most important single factor responsible for improved farm income. It is more important than the lend-lease purchases that have been made up to now.

When people stop living on \$60 or \$70 a month and get \$125 a month on which to take care of their families, a sizable part of the increase goes for food. Millions of people are now getting that one good meal a day that a short while ago they could afford only once a week. At the same time, there are millions of others who still are in the low-income category and these people cannot afford to buy the kinds and quantities of food they need. Here is where the direct distribution, school lunch, low-cost milk, and Food Stamp programs continue to function—making food available to those who need it most and at the same time keeping open for farmers a wider outlet for their products.

#### FARM INCOME AND NUTRITION

The defense effort has shocked the Nation into recognizing the need for better nutrition for all its citizens. People can be educated to the use and value of foods, but that is only part of the nutrition problem. Information on how to use foods is of little value to people who do not have buying power necessary to get more and better food into their market baskets. This country can produce abundantly of the foodstuffs needed to build and maintain the health and strength of all its people. The problem is in getting that abundance distributed and reaching those who are without adequate

TABLE 1.—*Summary of expenditures, direct purchase, distribution, export, and diversion programs, by commodities, fiscal year 1941*<sup>1</sup>

Commodity	Expenditure	Commodity	Expenditure
Cotton and cotton products.....	54,722,342	Fruits—Continued.	
Wheat and wheat products.....	21,674,630	Other fruits.....	3,395,000
Corn and corn products.....	689,601	Total fruits.....	34,859,742
Pork products.....	31,967,250	Vegetables:	
Oat products.....	1,338,146	Beans, dry.....	6,813,480
Rice.....	528,006	Beans, green.....	16,124
Eggs.....	15,110,210	Beets.....	105,567
Peanuts and peanut butter.....	8,893,676	Cabbage.....	607,291
Dairy products:		Carrots.....	167,065
Butter.....	12,241,695	Celery.....	31,145
Fluid milk.....	3,066,963	Corn, fresh.....	17,662
Cheese.....	31,771	Onions.....	169,573
Dry skim milk.....	30,637	Peas.....	46,833
Evaporated milk.....	725,870	Potatoes, Irish.....	11,087,478
Total.....	16,096,936	Potatoes, sweet.....	22,500
Fruits:		Tomatoes.....	2,680,169
Apples.....	8,047,665	Vegetable Shorten-	
Apricots.....	178,057	ing.....	75,000
Citrus fruits:		Vegetable Soup, de-	
Grapefruit, fresh,		hydrated.....	559,874
canned and		Vegetables, other <sup>2</sup> .....	2,996,000
juice.....	4,427,501	Total vegetables.....	25,395,761
Oranges.....	2,903,350	Pork and beans, canned.....	2,049,839
Oranges and		Pecans.....	121,222
grapefruit <sup>2</sup> .....	5,416,000	Walnuts.....	768,791
Dates.....	75,625	Coffee.....	49,807
Loganberries.....	3,580	Honey.....	163,145
Peaches.....	2,407,417	Flax.....	49,995
Pears.....	1,728,054	Turkeys.....	6,120
Prunes, fresh.....	179,502	Undistributed encumbrances <sup>3</sup> .....	745,597
Prunes, dried.....	2,876,683	Total.....	215,230,816
Raisins.....	1,117,308		
Prunes and raisins <sup>2</sup> .....	2,104,000		

<sup>1</sup> Includes food and cotton stamp programs, direct purchase and distribution, export encouragement, and diversion to byproducts and new uses.

<sup>2</sup> Separate estimates for the individual commodities used under the food stamp program not available at this time.

<sup>3</sup> The distribution of additional encumbrances of \$745,597 in connection with the food stamp program cannot be estimated at this time. Figures reported are subject to revision when all obligations incurred have been liquidated.

purchasing power, as well as those who have the means with which to obtain the foods they need. Agriculture has a real stake in the answer to this problem since good farm income and good nutrition are closely related.

The various methods that have been developed for getting food from the farms into the hands of those who lack adequate incomes and need to improve their diets are meeting real needs now. They offer the opportunity for making fuller use of this country's food production resources in building national strength. After the war is over, the distribution programs will be even more vitally important in cushioning the shock of adjustment from wartime to peacetime economy.

#### THE JOB AHEAD

Need should be met where need exists and the distribution programs should move forward steadily in that direction. While employment is heavy and the buying power of more people is up, this machinery can be kept intact and operating at low cost. It is a form of insurance for the future, ready to be used on an expanded basis if necessary as a safeguard against the dangers of threatened reductions in employment, income, and farm prices.

No one program can be relied on as a cure-all for agricultural marketing and distribution problems. The fact that a certain type of program works effectively in improving marketing conditions for one product does not mean that it will do the same for another. Different commodities and varying circumstances necessitate the existence or development of a variety of measures to be used either separately or in combination in meeting the particular problem that has arisen. The diversified machinery available in the Surplus Marketing Administration provides flexibility and makes it possible for farmers to obtain more effective assistance in dealing with difficult marketing and distribution problems.

#### FARMERS AND CONSUMERS BENEFIT

In addition to the various purchase and distribution activities, the Surplus Marketing Administration operates programs designed to divert agricultural surpluses to byproduct uses, to encourage new uses and new markets for farm products, and to aid exports of certain agricultural commodities. Through marketing agreement programs farmers are being aided in establishing more orderly selling conditions for many of the commodities they produce.

TABLE 2.—*Summary of expenditures, direct purchase, distribution, export, and diversion programs, of types of activity, fiscal year 1941*

Type of program	Expenditure
Food Stamp Program.....	83, 565, 597
Cotton Stamp Program.....	2, 287, 382
Direct purchase and distribution.....	84, 423, 195
Export encouragement.....	12, 359, 723
Diversion to byproducts and new uses.....	15, 894, 919
Supplementary Cotton Stamp Program.....	<sup>1</sup> 16, 700, 000
Total.....	215, 230, 816

<sup>1</sup> Preliminary estimate. Program will not be completed until Mar. 31, 1942.

The marketing adjustments that these diversified programs facilitate serve the interests of consumers as well as those of farmers. All of these measures are closely interrelated and their operation is aimed at the common goal of achieving greater efficiency in agricultural marketing and a wider distribution of the products produced by the Nation's farmers.

### THE MARKETING-AGREEMENT PROGRAMS

Industry-wide efforts to improve marketing conditions for leading agricultural commodities produced in different parts of the country continued to be supported by the operation of marketing-agreement programs during the 1941 fiscal year. These programs are provided for in marketing agreements and orders issued by the Secretary of Agriculture under the terms of the Agricultural Marketing Agreement Act of 1937.

A total of 49 marketing-agreement programs were in effect during the fiscal year. These programs provided for the regulation of the handlers of a wide range of agricultural products, including milk, different fruits and vegetables, and specialty crops such as walnuts and hops. The commodities covered by these programs, with one exception, were produced by nearly 350,000 producers in various sections of the country and had a farm value approaching \$500,000,000.

In general, there are two types of marketing-agreement programs. The programs for milk provide for the establishment of minimum prices to be paid producers by handlers in a marketing area, and prescribe the method through which handlers make their payments to producers. The programs for such commodities as fruits and vegetables provide for the regulation of shipments out of the producing areas on the basis of the volume shipped during any specified period of time, or by limiting the grades or sizes of the commodity shipped.

### DAIRY MARKETING-AGREEMENT PROGRAMS

There were 30 marketing-agreement programs in effect for the dairy industry during the 1941 fiscal year. Of these, 28 regulated the handling of fluid milk—20 of the programs through orders, 7 through earlier licenses, and 1 through a marketing agreement. The other 2 programs were in effect through a marketing agreement for the dry skim milk and a marketing agreement and license for the evaporated milk industries, respectively.

### SCOPE OF OPERATIONS

Approximately 129,000 dairy farmers were directly affected by the regulation of fluid-milk markets. These producers marketed over 12,000,000,000 pounds of milk valued at nearly \$233,000,000. Over 123,000 dairy farmers were affected by the marketing agreement program for the evaporated-milk industry. These dairymen marketed more than 5,700,000,000 pounds of milk with a farm value of approximately \$87,000,000. The marketing-agreement program for the dry skim milk industry was terminated in May 1941, but during the previous 11 months the program covered approximately 253,000,000 pounds of skim milk powder valued at the factories at \$16,000,000.

TABLE 3.—*Estimated number of producers, estimated volume of milk, and estimated returns to producers in various fluid milk markets under marketing-agreement programs, fiscal year 1941*

Market	Number of producers	Annual volume	Returns to producers
		<i>1,000 pounds</i>	<i>Dollars</i>
Battle Creek, Mich. <sup>1</sup> -----	292	26, 376	529, 636
Boston, Mass. <sup>2</sup> -----	15, 499	1, 201, 700	24, 130, 129
Chicago, Ill. <sup>2</sup> -----	17, 646	2, 217, 280	39, 644, 959
Cincinnati, Ohio <sup>2</sup> -----	4, 816	227, 235	5, 208, 218
Denver, Colo. <sup>1</sup> -----	1, 470	<sup>7</sup> 139, 641	234, 987
Dubuque, Iowa <sup>2</sup> -----	290	28, 075	470, 542
Duluth-Superior, Minn.-Wis. <sup>3</sup> -----	1, 494	<sup>5</sup> 18, 213	351, 271
Fall River, Mass. <sup>2</sup> -----	325	40, 967	1, 215, 904
Fort Wayne, Ind. <sup>2</sup> -----	854	44, 259	860, 509
Kalamazoo, Mich. <sup>1</sup> -----	434	37, 318	724, 716
Kansas City, Mo. <sup>2</sup> -----	1, 348	127, 730	2, 544, 388
La Porte County, Ind. <sup>2</sup> -----	279	17, 477	338, 002
Leavenworth, Kans. <sup>1</sup> -----	92	<sup>7</sup> 9, 191	150, 863
Louisville, Ky. <sup>2</sup> -----	1, 537	143, 368	3, 171, 304
Lowell-Lawrence, Mass. <sup>3</sup> -----	878	76, 317	2, 197, 175
New Orleans, La. <sup>2</sup> -----	2, 397	139, 660	2, 985, 936
New York, N. Y. <sup>2</sup> -----	60, 220	5, 840, 083	113, 414, 409
Omaha-Council Bluffs, Nebr.-Iowa <sup>2</sup> -----	2, 336	111, 532	2, 165, 617
Quad Cities, Ill.-Iowa <sup>2</sup> -----	1, 188	83, 912	1, 440, 765
San Diego, Calif. <sup>1</sup> -----	179	<sup>7</sup> 108, 376	2, 653, 478
Shreveport, La. <sup>2</sup> -----	<sup>6</sup> 178	16, 300	748, 200
Sioux City, Iowa <sup>2</sup> -----	1, 206	49, 565	862, 935
St. Louis, Mo. <sup>2</sup> -----	4, 003	350, 235	7, 246, 355
Toledo, Ohio <sup>2</sup> -----	2, 386	132, 253	2, 474, 445
Topeka, Kans. <sup>4</sup> -----	212	<sup>7</sup> 22, 644	373, 205
Twin Cities, Minn. <sup>1</sup> -----	5, 621	490, 338	8, 399, 489
Washington, D. C. <sup>2</sup> -----	1, 448	283, 139	7, 871, 260
Wichita, Kans. <sup>1</sup> -----	396	<sup>7</sup> 48, 434	877, 438
Total <sup>8</sup> -----	129, 024	12, 031, 618	232, 965, 535

<sup>1</sup> License in effect.<sup>2</sup> Order in effect.<sup>3</sup> Marketing agreement and order in effect.<sup>4</sup> Marketing agreement in effect.<sup>5</sup> For period May 5, 1941, to June 30, 1941.<sup>6</sup> For period Dec. 1, 1940, to June 30, 1941.<sup>7</sup> Reported as butterfat and converted to milk equivalent.<sup>8</sup> Does not include marketing-agreement programs for the evaporated milk and the dry skim milk industries.

The milk marketing agreement programs in general define the marketing area to which the regulation applies, provide for an agency to administer the program, and establish minimum producer prices for each class of milk according to its utilization, and prescribe a method for prorating returns to producers either through an individual-handler pool or a market-wide pool. Each program contains provisions governing the filing of reports by handlers, auditing their books and records, and checking weights and tests of milk received so as to assure full payment to producers for milk received by each handler.

## PUBLIC HEARINGS HELD

During the 1941 fiscal year, 22 public hearings were held in 15 fluid milk markets to consider amendments to existing orders, and 3 hearings were held to consider programs for 3 markets not previously regulated. Only 6 of the orders in effect were amended during the year. Of the hearings held, 10 were in May and June 1941, with the result that by the end of June, amendments were under consideration or had been recommended for 9 markets, 8 of which became effective shortly after that time. Two of the 3 new fluid milk marketing programs considered became effective during the

year, the program for the Shreveport, Louisiana, marketing area in December 1940, and the one for the Duluth-Superior area in Minnesota and Wisconsin in May 1941. Action on a program for Cook and DuPage Counties, Illinois, for which a hearing was held in April 1941, was pending at the end of the year.

#### ORDERS AMENDED

The changes made in the 6 marketing orders that were amended dealt more with improvement of their technical provisions and revision of the methods of pricing Class 1 (fluid) milk than with increasing the Class 1 price level. An amended order for the Cincinnati, Ohio, marketing area, which became effective in December 1940, provided a price increase only until May 1, 1942, and revised the method of accounting for handlers' sales of milk. At the same time, the base-rating plan in the order, used in distributing returns to producers, was suspended. An amended order for the St. Louis, Missouri, area, also effective in December 1940, provided for changing from an established Class 1 price, changeable only by administrative action, to a Class 1 price formula that would provide automatic changes based on changes in the price of butter.

Three amendments became effective in March 1941. One amendment to the order regulating the handling of milk in the New York metropolitan milk marketing area provided for only a slight upward adjustment in the Class 1 price for the month of April 1941; revised other provisions of the order to correct maladjustments in other class prices that had become evident; and reduced allowances under the order that seemed to be higher than necessary, both to handlers for diversion operations and to cooperatives for performing certain services for the market. An amendment to the order for the Omaha-Council Bluffs, Nebraska-Iowa marketing area provided increases in the prices of all classes of milk to be effective until amended. An amendment to the order for the Toledo, Ohio, marketing area provided changes in the base-rating plan but no revision of prices. The amendment to the order for the New Orleans, Louisiana, area, effective in April 1941, provided a slight increase in the Class 1 price and at the same time provided for automatic increases in the Class 1 prices each fall and automatic decreases each spring.

#### EARLY LICENSES TERMINATED

Three of the licenses which had been issued prior to 1935 were terminated during the year. These licenses regulated the handling of milk in the marketing areas of Omaha, Nebraska; Sioux City, Iowa; and Topeka, Kansas. Each of these licenses had been in suspension for several months and had been superseded by orders or agreements. Thus, none of the terminations resulted in removal of a regulatory program from a fluid milk market. The marketing agreement for the skim milk powder industry, however, was terminated in May 1941, at the request of handlers affected by the regulation.

#### FEDERAL-STATE COOPERATION

Most fluid milk marketing orders in markets where State milk control regulation is in effect are administered jointly with the State author-

ities. All such cooperative programs in effect were continued through the year, and one of the new orders put in effect—that for Shreveport, Louisiana—also is administered on a Federal-State basis.

During the year discussions were carried on from time to time with representatives of several markets not now under Federal control who had requested consideration of Federal marketing agreement programs for their markets. In all these markets, except Baltimore, Maryland, where there is no State control program, the principal problem seemed to be the inability of State control authorities to regulate milk moving in interstate commerce. Consideration of Federal programs for such markets involves cooperation with the respective State regulatory bodies. New markets, for which regulatory programs were given preliminary consideration at the request of producers, include the northern New Jersey area; Pittsburgh, Pennsylvania; Philadelphia, Pennsylvania; Providence, Rhode Island; Baltimore, Maryland; Terre Haute, Indiana; South Bend, Indiana, and Spokane, Washington.

#### MILK PRICE DEVELOPMENTS

The outstanding development during the year in milk market regulation was in the wave of requests for higher prices which started during the spring of 1941 from almost every market. During May and June, 9 of 10 public hearings held in as many markets to consider amendments to marketing orders included, among other considerations, proposals to increase Class 1 milk prices. In addition, at the end of June 1941, petitions from producers proposing higher milk prices were under consideration for hearings to be held later in 8 more markets.

Class 1 price increases were found to be necessary in all of the 9 markets in which hearings were held in May and June. This was indicative of the trend which prices were to follow in the other markets for which hearings were to be held shortly after the end of the fiscal year.

The milk price increases found necessary towards the end of the 1941 fiscal year were moderate, ranging from  $\frac{1}{2}$  cent to 1 cent per quart. Increases in 5 of the markets were to be for a temporary period, to run only until April 1 or May 1, 1942. In 2 markets—Ft. Wayne, Indiana, and Toledo, Ohio—the increase came as a result of changing from a fixed Class 1 price, changeable only by amending the order, to a formula providing for automatic changes based on prices paid for milk at evaporating plants. In only one market, La Porte County, Indiana, was the Class 1 price increased without provision for subsequent reduction.

#### FURTHER INCREASES SOUGHT

Even after steps had been taken to make price increases effective, producers petitioned for additional increases, indicating that Class 1 prices in general would have to go still higher. Evidence indicated that wage rates for hired labor increased rapidly since January 1941, with satisfactory farm labor becoming scarce in many areas, and that other farm costs also increased.

In midwestern markets prices paid for milk at condenseries, cheese factories, and creameries increased considerably from January to

the end of June 1941. Dairy farmers supplying fluid milk to mid-western city markets threatened to shift to the manufacturing outlets unless higher prices in the fluid markets could be assured. In eastern markets, notably in the New York and Boston milksheds, severe drought conditions at the peak of the growing season sharply reduced the year's supply of home-grown dairy feed, thereby increasing milk production costs.

#### MORE HEARINGS SCHEDULED

Of significance is the fact that during the last 3 months of the fiscal year an average of 4 hearings per month were being held compared to an average of less than 2 per month during the 3 years prior to 1941. It was evident that this heavy schedule of hearings would be continued at least through the first half of the next fiscal year. Of 25 hearings held from July 1, 1940, to June 30, 1941, about half occurred during the last 3 months of that period. Rapidly changing economic relationships growing out of the national defense program and increased expenditures made frequent hearings necessary to keep the regulatory programs in milk markets abreast of current conditions.

#### COMPLIANCE AND ENFORCEMENT

Handler compliance with milk marketing orders continued to be practically complete in all markets except one. Most handlers now recognize the established validity of this type of regulation. This does not mean that no violations occur or that no court action is needed for successful administration of milk marketing orders. There have been a number of violations, but they represent only a small proportion of all the milk under regulation.

Litigation carried on during the year indicates that vigorous and prompt prosecution of the few handlers who fail to abide by the orders is necessary to insure a high degree of continuing compliance. In all cases litigated, where the violation consisted of failure to file reports, underpayment to producers, failure to pay administration assessments, or failure to pay market-wide equalization charges, the handlers have been ordered by the courts to comply.

#### NATURE OF COURT CASES

Many of the cases litigated involved disputed classification of milk. Some of these disputes have been caused by failure of the handlers to keep adequate records to prove utilization of all milk, with the result that market administrators have been required to consider and price as Class 1 the milk for which there was no record. Other cases of disputed classification have been the result of disagreement on interpretation of certain provisions of orders.

Additional cases, principally in the Boston market, involved continuance of litigation because the handlers concerned had ignored prior orders of the court to comply with the marketing order. Contempt proceedings were instituted against such handlers. To avoid being held in contempt of court most of these handlers made arrangements that satisfied both the court and the market administrator for paying their past obligations in installments. For the Boston market, where most of these cases occurred, more than 50 cases were

heard at the September term of the District Court, and many of them were continued during the April term. Though the program of retiring these past obligations had not been completed on June 30, 1941, substantial progress had been made and many thousands of dollars collected for disbursement to producers through the market-wide pool.

#### COURT DECISIONS HELPFUL

During the year several cases were decided that have helped to clarify the jurisdictional limits of the Marketing Agreement Act as it applies to milk. Three cases challenged the authority of the Federal Government to regulate the marketing of milk purchased and sold entirely within the borders of one State, but in competition with milk that is directly in the current of interstate commerce because of having moved across the State line. One case in the New York market was decided in favor of the Government by the district court. The decision was upheld by the Circuit Court of Appeals, and a review of this court's decision was denied by the Supreme Court. In the Washington, D. C., market a decision was rendered in favor of the Government by the lower court and was not appealed. A lower court ruling in the Chicago market was in favor of the handler and has been appealed by the Government.

This year there have been attempts of handlers to effectuate certain purchase and lease arrangements with their producers. The handlers claimed exemption from the order on the grounds that they own or control cows producing their milk and the farms on which such cows are maintained. Thus, they say, no milk is purchased from producers. In the Boston market the legality of such an arrangement was tried in the District Court. The decision denied the handler's contention that he purchased no milk from producers. This decision is now being appealed. In this case the handler had leased several farms and herds of cows from their owners and hired the same farm owners in the capacity of "herd masters" to take care of the cows. The court found in this case that the handler had neither assumed many of the usual risks of operating a farm nor much supervision of the skills necessary for proper management of a farm and a herd of dairy cows. For these reasons it was ruled that the handler could not be considered a producer and evade the order regulating handlers of milk.

#### CROPS UNDER MARKETING AGREEMENT PROGRAMS

There were 19 marketing agreement programs in effect during the 1941 fiscal year for such commodities as fresh fruits, truck crops, tree nuts, and hops. Of these, 14 were in actual operation. The commodities for which marketing agreement programs were in actual operation during this past fiscal year were produced by more than 77,000 growers, and had a total farm value of around \$150,000,000. Out of the 14 marketing agreement programs in operation, 10 regulated shipments of fresh fruit.

During the 1941 fiscal year there were 3 marketing agreement programs which were in operation for the eighth consecutive year. These were the programs covering walnuts grown in the Pacific Coast States, oranges and grapefruit produced in California-Arizona, and

shade tobacco grown in the Connecticut Valley. Each of these programs was first developed under the Agricultural Adjustment Act of 1933. The marketing agreement for Colorado peas and cauliflower operated for the sixth consecutive crop season. The programs for Utah peaches and California Tokay grapes were operated for the first time during the 1941 fiscal year. The marketing agreement program for California-Arizona lemons operated for the first time at the close of the 1941 fiscal year. The remaining marketing agreement programs that operated during the 1941 fiscal year had been in operation for either one or two seasons in the past.

TABLE 4.—*Approximate number of growers and estimated farm value of commodities with marketing agreement programs in effect, fiscal year 1941*

Marketing-agreement program	Number of growers	Farm value (1,000 dollars)
Walnuts (California, Oregon, and Washington).....	14,000	10,200
Oranges and grapefruit (California and Arizona).....	20,000	52,200
Watermelons (Florida, Georgia, North Carolina, and South Carolina) <sup>1</sup> .....	10,000	3,000
Fresh peas and cauliflower (Colorado).....	650	2,000
Onions (Utah) <sup>1</sup> .....	180	200
Fresh prunes (Oregon and Washington).....	600	700
Oranges, grapefruit, and tangerines (Florida).....	20,000	35,600
Fresh Bartlett pears, plums, and Elberta peaches (California).....	7,500	8,600
Tomatoes (Mississippi) <sup>1</sup> .....	2,000	550
Beurre hardy pears (California).....	500	300
Peaches (Colorado).....	600	1,800
Winter pears (Oregon, Washington, and California).....	3,000	4,400
Onions (Colorado) <sup>1</sup> .....	1,100	1,200
Peaches (Utah).....	2,000	450
Hops (Oregon, Washington, and California).....	950	9,700
Tokay grapes (California).....	1,500	1,800
Lemons (California and Arizona).....	6,500	19,000
Grapefruit (California-Arizona Desert) <sup>1</sup> .....	1,450	1,300
Shade tobacco (Connecticut Valley).....	50	6,000
Total programs in effect.....	92,580	159,000
Total programs in operation.....	77,850	152,750

<sup>1</sup> Not in operation during the 1941 fiscal year.

The marketing agreement program for watermelons was terminated in March 1941. Operations under this program had been suspended for the 1940 season in accordance with requests of the producers and handlers.

#### NEW PROGRAMS IN EFFECT

During the past fiscal year, public hearings were conducted on 3 new proposed marketing agreements and orders. These proposals included programs for California-Arizona lemons, California-Arizona desert grapefruit, and Idaho prunes. Marketing agreement programs were later put into effect for the first two of these commodities. The proposed program for Idaho prunes, however, did not go into effect because a referendum held during the spring of 1941, after the hearing was held, disclosed a lack of sufficient interest on the part of producers in support of the issuance of an order for this commodity.

In addition to these hearings on proposed new programs, 3 public hearings were held during the spring of 1941 on proposed amendments to programs already in existence. Following these hearings, the marketing agreements and orders in effect for California Tokay grapes, Colorado peas and cauliflower, and Colorado peaches were amended.

## ENFORCEMENT CASES

Litigation involving the fruit and vegetable programs during the past fiscal year was mostly in connection with the enforcement of marketing agreements and orders for citrus fruit. On July 1, 1940, there were 8 criminal cases and 6 civil cases pending under the citrus programs then in effect. During the 1941 fiscal year, 30 criminal cases were initiated, and 9 civil cases were authorized. During the year 24 criminal cases and 4 civil cases were completed. Of these, all but one were decided in favor of the Government, and fines were imposed totaling \$3,654. At the end of June 1941, there were pending 14 criminal and 11 civil cases.

Two criminal cases arose under the Colorado vegetable agreement and order which were completed during the year and fines of \$550 imposed. Under the walnut program, 2 criminal cases were litigated which resulted in fines of \$300. Under the Pacific coast hops program 3 cases were pending at the beginning of the fiscal year, 2 of which were completed during the year.

There are 2 cases pending before the Circuit Court of Appeals for the Ninth Circuit. One case represents an appeal from a preliminary injunction issued by the District Court against certain handlers of California citrus fruits. The other case involves an appeal from sentence imposed upon a handler for contempt of court. In addition, a suit is pending in the Supreme Court of the State of California seeking a writ of prohibition against the Superior Court of the State of California in and for the County of Los Angeles. This case arose after a judge of the Superior Court issued an injunction against the members and alternate members of the committees administering the marketing agreement and order for oranges, enjoining them from exercising their powers and performing their duties under the order. Application was made to the Supreme Court of California for a writ of prohibition directed to the Superior Court to prohibit the enforcement of the injunction.

## INDUSTRY RELATIONS

During the past fiscal year, there was much evidence of the fact that producers and handlers had gained a better understanding of the fundamental basis and objectives of marketing agreement programs. They demonstrated greater working knowledge of the requirements that had to be met to assure effective administration of the regulatory provisions of these programs.

Furthermore, producers have been taking greater advantage of the opportunity which these programs provide to analyze marketing problems confronting their industries. Noticeable improvements have taken place in the development of marketing policies submitted by industry committees as guides for use in formulating specific regulations to govern shipments.

## DOMESTIC DISTRIBUTION PROGRAMS

Distribution programs of the Surplus Marketing Administration are designed to assist farmers by widening domestic markets and improving farm income and, at the same time, helping needy people secure a more adequate food supply. The programs to achieve this

include the Food Stamp Program; distribution of commodities purchased directly for use in free school lunches; distribution of purchased commodities for use by needy families in areas where the Food Stamp Program is not operating; and the low-cost milk program. In addition there are the cotton mattress and cotton stamp programs for encouraging increased consumption of cotton. During the 1941 fiscal year these activities were strengthened considerably and made their most substantial contribution to date toward improving farm income, better nutrition, and higher living standards.

#### GAINS DURING THE YEAR

With rising national income and increased employment, in addition to lend-lease buying, as well as the domestic distribution and other marketing programs, substantial improvements were brought about in farm prices and farm income. For the principal commodities directly assisted under the domestic distribution and purchase activities, farm prices increased by about 30 percent from June 1940 to June 1941 as compared with a 22 percent rise in other agricultural prices. These commodities include butterfat, eggs, hogs, wheat, corn, dry beans, oranges, apples, and rice.

In terms of the volume of commodities as well as in terms of the contribution made to improve nutrition, 1940-41 programs were the largest undertakings of the kind since the basic legislation authorizing activities of this nature was enacted in 1935. By widening the scope of operations it was possible to give much greater support to increased domestic marketings than had been possible before.

#### TYPES OF MARKET ASSISTANCE

Market support of two different types was made possible. For such commodities as butter, eggs, oranges, grapefruit, apples, potatoes, beans, prunes, raisins, flour, pork and lard, practically continuous support to improved marketing and better farm income was provided each month during the 1941 fiscal year by the Food Stamp Program and the direct purchase and distribution activities. For other commodities, even with the substantial improvement in national income and buying power, short-run seasonal surpluses occurred, and therefore the combined programs were used to give market support for shorter periods. Pears, grapefruit, apples, potatoes, onions, carrots, cabbage, tomatoes, and a large number of other fruits and vegetables received this kind of support.

It became apparent during the latter part of the fiscal year that increased quantities of some commodities which previously had been in surplus were necessary to supply the improved demand resulting from much higher levels of national income and employment, as well as the need for lend-lease and Red Cross shipment abroad. This was especially the case for dairy products, pork products and eggs. By assuring expanded markets for these products and providing price support, the domestic distribution programs played an important part in the program to induce expansions in the production of the specific commodities for which domestic as well as export needs were greatest.

## SCOPE OF PROGRAMS

Approximately 10,500,000 needy persons in families each month received during the 1941 fiscal year the commodities made available by the various distribution activities. In addition, a peak number of 4,700,000 children and an average over the 12-month period of 2,700,000 children received free school lunches made in whole or in part from commodities purchased and supplied by the Surplus Marketing Administration. A total of about 4,000,000,000 pounds of foodstuffs equivalent to more than 1,100 trainloads, was distributed domestically, in addition to about 3,300,000 mattresses, 1,100,000 comforters, as well as other cotton goods.

## THE FOOD STAMP PROGRAM

Under the Food Stamp Program, the Federal Government increases the food purchasing power of public aid families in order to increase their demand for specified food commodities. This is accomplished through the issuance of orange- and blue-colored stamps good for the purchase of foods through regular retail outlets in areas where the program is in effect.

The orange-colored stamps, which are bought in amounts equal to the normal food purchases of the participating families, are good for any food at any grocery store taking part in the program. Persons buying orange-colored stamps receive one-half again as many blue-colored stamps free. The amount of orange stamp purchases as well as the ratio of blue stamps to orange stamps varies considerably in accordance with regional differences, purchasing habits, and extent of need. These blue stamps are also good at local grocery stores, but only in exchange for foods specifically designated by the Secretary of Agriculture. In the past year the designated foods included butter, eggs, pork and lard, fruits, vegetables, and cereals. Grocers paste the stamps, each worth 25 cents, on cards, and redeem them through their banks or wholesalers, or get their cash directly from the Government.

## FOOD BUYING POWER RAISED

Where the Food Stamp Program is in effect, needy persons certified by State and local welfare departments are eligible to participate. The blue stamps make it possible for those taking part to spend 50 percent more than the 5 to 8 cents they formerly spent for each meal. This results in more adequate diets for these people and greater sales by farmers who produce the food.

During the 12 months that ended with June 1941, expenditures with the blue stamps totaled slightly over \$82,800,000 with 12 percent of the money going for butter, 14 percent for eggs, 16 percent for cereal products, 25 percent for fruits and vegetables, and 32 percent for pork products. Purchases with the blue stamps included approximately 28,900,000 pounds of butter, over 46,000,000 dozen eggs, and nearly 400,000,000 pounds of flour, corn meal, and other cereal products. The vegetable purchases included over 43,000,000 pounds of beans, about 4,600,000 bushels of potatoes, and over 100,-

000,000 pounds of other vegetables. Fruit bought with the blue stamps included over 26,000,000 pounds of prunes and raisins, about 2,200,000 boxes of grapefruit and oranges, and 92,000,000 pounds of other fruits. About 168,000,000 pounds of pork products were bought with blue stamps, including 57,000,000 pounds of lard and over 111,000,000 pounds of pork.

TABLE 5.—*Food Stamp Program: Number of areas included, participants, and value of free blue stamps issued, by months, May 1939–June 1941*

Month	Number of areas included	Number of persons participating	Value of free blue stamps issued
1939			
May.....	1	20,958	\$22,473
June.....	2	50,985	101,848
July.....	3	75,668	158,455
August.....	6	136,486	285,413
September.....	6	156,339	334,944
October.....	8	173,878	371,203
November.....	14	220,648	481,148
December.....	19	398,853	833,956
1940			
January.....	30	569,214	1,176,843
February.....	38	852,857	1,745,367
March.....	53	1,066,851	2,210,602
April.....	62	1,277,282	2,667,051
May.....	71	1,393,324	2,986,686
June.....	83	1,488,532	3,161,982
July.....	99	1,566,622	3,514,659
August.....	124	1,907,316	4,501,097
September.....	137	2,072,090	4,633,289
October.....	166	2,213,799	5,237,516
November.....	209	2,541,087	5,782,318
December.....	231	2,821,638	6,587,993
1941			
January.....	246	2,986,664	7,027,392
February.....	264	3,108,647	7,201,683
March.....	289	3,703,141	8,934,050
April.....	307	3,830,889	9,547,152
May.....	346	3,968,893	9,902,603
June.....	363	3,924,967	9,950,438

#### MORE PEOPLE SERVED

This was the first full year in which the Food Stamp Program has been operating on a sufficiently large scale so as to move substantial quantities of food into consumption. In July 1940 the program was operating in 82 rural and urban areas in which lived about 18 percent of the United States population. By the end of June 1941, the program was operating in 363 areas in which about 53 percent of the population of the United States was concentrated. The number of persons directly benefiting increased from 1,500,000 in June 1940 to 3,900,000 in June 1941. Blue stamp food expenditures increased from \$3,162,000 to \$9,950,000 in that same period.

Each person taking part in the program received enough added purchasing power to buy an average of \$2.54 in blue stamp commodities during June 1941, for example. During that month the average per capita quantities of foodstuffs purchased with blue stamps were as follows:

*Commodity:*

Eggs-----	Number per capita--	16.92
Flour-----	Pounds per capita--	9.45
Other cereals-----	do-----	3.10
Dry beans-----	do-----	1.42
White potatoes-----	do-----	7.50
Other vegetables-----	do-----	1.80
Prunes and raisins-----	do-----	.85
Oranges and grapefruit-----	do-----	4.78
Other fruits-----	do-----	1.44
Lard-----	do-----	1.78
Pork-----	do-----	3.18

These purchases with the blue stamps represented about one-third of the total foods purchased by the participating families. Additional quantities of the foods listed as well as all other foods for home consumption were bought with orange-colored stamps and cash. The per capita quantities varied each month in accordance with changing prices, the amount of orange stamps purchased, and changes in the list of foods that were available in exchange for the free blue stamps.

## SOME ADMINISTRATIVE PROBLEMS

Expansion of the program to 281 additional areas during the 1941 fiscal year meant that a major part of the work was in setting up the operating machinery in the new areas. Although the mechanism of the Food Stamp Program is relatively simple, a number of intricate administrative responsibilities are assumed by local and State agencies. In some instances State laws have to be revised or expanded for this purpose. Revolving funds for the purchase of orange stamps must be established. Stamp issuance offices must be opened and maintained. Certification and family investigation procedures of welfare agencies must be coordinated with the special needs of the program. State and local contracts are developed. Streamlined operational procedures are devised to keep Federal, State, and local costs to a minimum. As improved methods of operation are demonstrated to be effective, they are put into practice.

The sale of orange-colored stamps in connection with the issuance of the free blue-colored stamps is of particular importance to the farmer and also in making certain that the participating families increase their food consumption. In this way families taking part in the program are required to continue their normal expenditures for food out of their own pockets and thus bring assurance that the demand for agricultural products is increased by the full amount of the value of the free blue stamps. This device for preventing substitution of the Federal funds for cash expenditures that would be made in the absence of the program is an important development in domestic food disposal programs as well as in the general application of Federal funds to achieve desired social and economic objectives. The basis of issuing orange- and blue-colored stamps has been revised from time to time to make the program more effective.

TABLE 6.—*Estimated value of commodities purchased with blue stamps, percent of total value, and quantity purchased July 1940 to June 1941*

[Quantity and value in thousands]

Commodity	Unit	Value of purchases	Percent of total value	Quantity purchased <sup>1</sup>
Butter.....	Pound.....	10, 176	12. 3	28, 867
Eggs.....	Dozen.....	11, 432	13. 8	46, 018
Flour.....	Pound.....	10, 166	12. 3	299, 746
Other cereals.....	Pound.....	3, 532	4. 2	98, 025
Total cereals.....		13, 698	16. 5	
Dry beans.....	Pound.....	2, 787	3. 4	43, 360
White potatoes.....	Bushel.....	4, 376	5. 3	4, 573
Other vegetables.....	Pound.....	2, 996	3. 6	100, 332
Total vegetables.....		10, 159	12. 3	
Prunes and raisins.....	Pound.....	2, 104	2. 6	26, 353
Oranges and grapefruit.....	Box.....	5, 416	6. 5	2, 155
Other fruits.....	Pound.....	3, 395	4. 1	91, 591
Total fruits.....		10, 915	13. 2	
Vegetable shortening <sup>2</sup> .....	Pound.....	75	. 1	655
Lard.....	Pound.....	5, 236	6. 3	57, 176
Pork.....	Pound.....	21, 129	25. 5	111, 051
Total pork products.....		26, 365	31. 8	
Total.....		<sup>3</sup> 82, 820	100. 0	

<sup>1</sup> Retail quantities adjusted to include estimated wastage occurring in the process of distribution.<sup>2</sup> Purchasable with blue stamps only in four areas in the Southern Region.<sup>3</sup> The distribution of additional encumbrances of \$745,597 for blue stamps among commodities cannot be estimated at this time.

## STATE-LEVEL OPERATION

As the Food Stamp Program expanded during the course of the year, it became evident that maximum efficiency, lowest cost, and uniform application of policy could better be assured by operating on a State level than by operating on an area basis. State-level operation permitted putting into effect in various parts of the country a plan for mail-order issuance of stamps which is highly suitable to rural areas. A program of shifting existing locally operated programs to State-level operation was begun and a substantial number of State agreements were negotiated and completed for this purpose.

It was anticipated that in the new method of operating, compliance procedure would have to be modified to meet the problems growing out of the requirement that participating retailers abide by prescribed conditions as to the use and redemption of stamps. A number of compliance techniques were evolved administratively for the purpose of assuring that grocers would comply and for dealing with grocers who did not comply. Penal provisions enacted by various States governing violations and the Federal criminal statutes were invoked in cases of noncompliance. Community programs were formulated to assist grocers in understanding the Food Stamp Program so as to assure compliance.

Rapid and effective action in handling violators has been demonstrated as necessary for adequately meeting compliance problems. While in certain respects many of these problems are unique under

the new form of operation, experience to date indicates that methods now applied, and in the course of being perfected, are adequate to assure a minimum of noncompliance.

#### THE FARMERS' POTENTIAL MARKET

By extending the domestic distribution programs it has been possible to widen farmers' markets for greater quantities of food and to feed a greater proportion of needy families than ever before. However, by the end of the 1941 fiscal year there were approximately 13,300,000 persons receiving public assistance in the continental United States, and only about two-thirds of these were being reached by the distribution programs. Moreover there are several millions more nonrelief families in urban and rural areas who also need help for more adequate nutrition. It should be noted that it is only under the Food Stamp Program that a relatively substantial amount of foodstuffs was received regularly by each family participating, and this program covered only 3,900,000 persons at its peak of operation during the year.

#### THE DIRECT DISTRIBUTION ACTIVITIES

In addition to the operation of the Food Stamp Program, the Surplus Marketing Administration buys products from farmers and handlers and ships them to State welfare agencies throughout the country for distribution to needy unemployed persons and for school lunches. State welfare agencies maintain warehouses and distribution centers where those families that are certified secure the commodities made available.

Other Federal agencies, including the Work Projects Administration and the National Youth Administration, assist the State authorities in the distribution of the products through special distribution projects. State welfare agencies also arrange for the transmittal of commodities for the school lunch programs and WPA and NYA employees as well as teachers, parent-teacher associations, and civic groups assist in the preparation and distribution of the foodstuffs.

#### SCHOOL LUNCHES EXPANDED

Major efforts to expand the school lunch program had begun during the 1939-40 school year. A peak for that school year was reached in April 1940 when nearly 2,500,000 children, or 9 percent of the total school enrollment, received lunches made in whole or in part from the commodities supplied by the Surplus Marketing Administration. This program was greatly expanded during the following school year. In September of 1940, approximately 1,400,000 children were receiving the school lunches and a rapid expansion took place until in March 1941 the peak number of 4,700,000 children was reached. At that time the program was operating in approximately 29 percent of the schools in the United States, and about 17 percent of all school children were participating directly.

In all, a total of 341,000,000 pounds of foodstuffs was distributed through the school lunch program during the 1940-41 school year. This included about 52,000,000 pounds of dairy products and eggs;

about 57,000,000 pounds of cereals and flour; over 165,000,000 pounds of fruits; about 45,000,000 pounds of vegetables, and nearly 13,000,000 pounds of meat products (principally pork) and fish, as well as about 9,000,000 pounds of lard.

TABLE 7.—*Distribution of Surplus Marketing Administration foods for the school lunch program, by States and number of schools and children served, fiscal year 1941*

State	Pounds distributed	Peak number served <sup>1</sup>	
		Schools	Children
Alabama.....	5,598,404	976	65,225
Arizona.....	2,530,673	242	25,222
Arkansas.....	7,777,294	791	80,978
California.....	24,812,690	3,024	284,931
Colorado.....	2,349,716	537	33,980
Connecticut.....	1,040,505	190	21,336
Delaware.....	459,391	123	4,037
Florida.....	7,821,987	1,177	87,418
Georgia.....	28,973,372	4,730	454,787
Idaho.....	1,725,169	333	26,661
Illinois.....	10,740,699	2,560	143,242
Indiana.....	4,880,028	996	86,531
Iowa.....	1,415,215	263	15,659
Kansas.....	3,314,778	868	38,091
Kentucky.....	1,455,421	403	21,953
Louisiana.....	13,502,966	2,149	180,054
Maine.....	2,293,620	996	43,169
Maryland.....	2,004,383	387	19,140
Massachusetts.....	3,521,578	816	112,294
Michigan.....	7,180,661	2,492	124,816
Minnesota.....	6,104,478	2,675	120,566
Mississippi.....	4,656,706	865	73,312
Missouri.....	11,144,538	2,563	109,094
Montana.....	1,725,621	622	22,107
Nebraska.....	1,989,515	1,341	33,461
Nevada.....	335,211	111	4,071
New Hampshire.....	710,218	220	15,661
New Jersey.....	3,160,976	720	56,381
New Mexico.....	3,707,037	363	42,825
New York.....	4,725,940	1,730	177,209
North Carolina.....	15,347,865	2,508	181,255
North Dakota.....	3,746,222	2,135	47,527
Ohio.....	5,236,379	944	58,792
Oklahoma.....	22,966,050	3,368	237,925
Oregon.....	1,411,355	350	14,834
Pennsylvania.....	12,513,409	1,594	345,845
Rhode Island.....	99,253	44	1,785
South Carolina.....	22,503,242	2,652	269,846
South Dakota.....	4,787,148	2,078	37,953
Tennessee.....	21,302,931	3,624	219,697
Texas.....	26,085,830	4,795	355,598
Utah.....	2,091,590	249	30,708
Vermont.....	998,498	611	17,499
Virginia.....	6,637,929	1,704	76,022
Washington.....	6,934,437	1,019	91,350
West Virginia.....	6,065,528	1,185	66,156
Wisconsin.....	3,701,800	1,714	65,765
Wyoming.....	598,506	167	8,976
District of Columbia.....	1,322,578	135	11,369
Hawaii.....	64,689		
Puerto Rico.....	4,616,220	616	50,407
Virgin Islands.....	89,464	28	1,791
Total.....	340,779,713	66,783	4,715,311

<sup>1</sup> March 1941.

#### CHILDREN NEED MORE FOOD

Expansion in the school lunch program has met with the strongest kind of support. The program appears to be dealing with a very real need in the communities, while providing an unusually good outlet for commodities in which expanded domestic markets are

essential for farmers. The amount of food which the Surplus Marketing Administration has been able to make available has not been sufficient to fill the requirements for complete meals. Community groups sponsoring the school lunches buy whatever food supplies are needed in order to fill the gap. While about 4,700,000 children were reached with the lunches during the school year, the program was doing only about half the job that needs to be done. There are 9,000,000 children who could use the school lunches to good advantage if it were possible to extend the program that much.

#### FOOD FOR NEEDY FAMILIES

In addition to being used in the school lunches, commodities purchased by the Surplus Marketing Administration are distributed to needy families certified by welfare agencies in areas where the Food Stamp Program is not operating.

During the 1941 fiscal year an average of 2,400,000 families representing approximately 8,800,000 persons received commodities under this direct distribution program. A total of 7,800,000 of these were in the continental United States and approximately 1,000,000 were in the territorial possessions, principally Puerto Rico. The number of persons receiving the foods distributed in the continental United States declined by 40 percent, or by nearly 4,000,000 persons, from June 1940 to June 1941. Of the total number dependent on public aid at the end of the fiscal year, 3,900,000 received additions to their regular food supplies through the Food Stamp Program while others continued to be served by the direct distribution method.

#### LARGE VOLUME DISTRIBUTED

About 2,100,000,000 pounds of foodstuffs were distributed to families directly during the 1941 fiscal year. This included nearly 22,000,000 pounds of dairy products, about 45,500,000 dozen eggs, more than 700,000,000 pounds of flour and other cereal products, about 600,000,000 pounds of fruit, over 300,000,000 pounds of Irish potatoes, more than 160,000,000 pounds of other vegetables, and about 188,000,000 pounds of pork and lard.

Distribution within States is undertaken by State welfare agencies, subject to general regulations established by the Surplus Marketing Administration. Quantities of foodstuffs distributed directly in a particular State depend primarily on the number of persons certified to participate. Supplies of commodities purchased by the Surplus Marketing Administration are shipped to the States on order from the welfare agencies so as to prevent waste and insure efficient distribution.

Direct distribution of commodities during the 1941 fiscal year exceeded by 39 percent the distribution during the previous fiscal year. The products distributed varied by months but included a wide range of foodstuffs such as wheat cereal, corn meal, flour, prunes, raisins, pork, dry beans, lard, citrus, and other fresh fruits, and fresh vegetables.

Foods were also distributed in limited amounts to persons in charitable institutions, for playground lunches and summer camp feeding, as well as for home aid demonstrations. Generally, commodities

are distributed to charitable institutions only when the commodities are received in quantities that will not permit rapid and efficient distribution in the other channels. During the fiscal year 1941, about 33,000,000 pounds of foodstuffs were distributed to charitable institutions.

TABLE 8.—*Total direct distribution of Surplus Marketing Administration foods by States and average number of families and persons served, fiscal year 1941*

State	Pounds distributed	Number served <sup>1</sup>	
		Families	Persons
Alabama.....	62, 593, 552	54, 889	189, 663
Arizona.....	4, 964, 809	2, 736	9, 075
Arkansas.....	76, 542, 059	65, 280	231, 046
California.....	75, 066, 026	60, 809	171, 452
Colorado.....	25, 784, 182	20, 000	86, 243
Connecticut.....	13, 021, 567	11, 426	44, 365
Delaware.....	1, 186, 158	1, 705	5, 465
Florida.....	48, 588, 674	58, 560	229, 354
Georgia.....	72, 878, 874	56, 489	196, 742
Idaho.....	13, 366, 725	13, 882	50, 011
Illinois.....	133, 395, 352	132, 679	321, 374
Indiana.....	56, 523, 158	46, 326	173, 937
Iowa.....	29, 528, 970	28, 842	115, 121
Kansas.....	44, 288, 017	42, 612	129, 224
Kentucky.....	58, 853, 526	72, 969	360, 106
Louisiana.....	136, 436, 243	110, 800	410, 201
Maine.....	21, 590, 999	28, 705	122, 180
Maryland.....	4, 577, 784	3, 016	11, 201
Massachusetts.....	87, 585, 814	105, 576	409, 890
Michigan.....	73, 948, 484	84, 650	255, 785
Minnesota.....	53, 856, 604	45, 073	183, 068
Mississippi.....	116, 733, 443	117, 024	450, 672
Missouri.....	85, 448, 016	55, 879	227, 516
Montana.....	16, 108, 637	14, 717	52, 125
Nebraska.....	25, 622, 778	22, 952	81, 881
Nevada.....	667, 639	581	1, 584
New Hampshire.....	9, 781, 180	11, 199	46, 333
New Jersey.....	29, 350, 193	57, 068	163, 304
New Mexico.....	9, 957, 071	5, 166	16, 498
New York.....	125, 899, 679	185, 524	522, 684
North Carolina.....	69, 578, 904	42, 429	195, 431
North Dakota.....	22, 882, 781	15, 046	62, 486
Ohio.....	102, 639, 904	92, 560	293, 463
Oklahoma.....	94, 497, 596	50, 373	202, 836
Oregon.....	3, 115, 747	3, 050	11, 623
Pennsylvania.....	86, 377, 936	82, 783	296, 618
Rhode Island.....	4, 201, 876	6, 326	23, 197
South Carolina.....	52, 292, 163	33, 149	97, 507
South Dakota.....	40, 284, 778	22, 988	86, 174
Tennessee.....	91, 426, 903	56, 932	206, 610
Texas.....	153, 077, 108	121, 192	393, 709
Utah.....	6, 960, 024	6, 289	22, 084
Vermont.....	7, 174, 153	11, 333	49, 933
Virginia.....	30, 305, 442	21, 228	76, 485
Washington.....	13, 287, 464	16, 187	50, 848
West Virginia.....	75, 718, 536	54, 721	205, 666
Wisconsin.....	50, 943, 444	58, 565	205, 675
Wyoming.....	4, 844, 618	4, 949	16, 661
District of Columbia.....	14, 893, 846	8, 160	29, 759
Hawaii.....	608, 012	3, 254	10, 024
Puerto Rico.....	69, 867, 556	186, 230	948, 970
Virgin Islands.....	257, 096	1, 790	3, 865
Indian Reservation.....	456, 675	1, 210	5, 320
Total.....	2, 509, 838, 775	2, 417, 878	8, 763, 044

<sup>1</sup> Does not include recipients in school lunch programs, institutions and organizations, camps, and other special projects.

#### MORE COTTON TO MORE PEOPLE

Programs for increasing the domestic use of cotton were expanded considerably during the 1941 fiscal year. Major emphasis was placed on the utilization of cotton for mattresses and comforters. In cooperation with the Agricultural Adjustment Administration and the

Extension Service, cotton was made available to low income non-relief farm families who made mattresses for themselves. Nearly 2,900,000 mattresses and about 311,000 comforters were distributed in this way. In addition, the program for distributing cotton to the Farm Security Administration and State welfare agencies for the manufacture of mattresses and comforters was continued. A total of 383,000 mattresses and 810,000 comforters was distributed to needy people through these agencies. Altogether, a total of 3,275,779 mattresses and 1,120,576 comforters was distributed through the various activities. These articles contained an equivalent of 366,000 bales of raw cotton, 32,100,000 yards of ticking, and 11,200,000 yards of comforter covering.

### COTTON GOODS FOR STAMPS

In addition, two experimental programs were conducted with cotton stamps. One, a Cotton Stamp program for needy unemployed families, was continued and extended to 27 areas during the fiscal year. In all, a total of \$2,256,000 in free stamps was issued to participants in these areas. Based on studies made, it is estimated that these stamps were spent in buying goods made from cotton as follows: household goods, 38 percent; men's and boys' clothing, 35 percent; women's and girls' clothing, 24 percent; infants' wear, 3 percent.

The second program in which stamps were used was in what has been termed the Supplementary Cotton Program. Under a cooperative arrangement with the Agricultural Adjustment Administration, the Surplus Marketing Administration made funds available for this program by which cotton stamps were issued to cotton farmers in connection with 1941 cotton acreage adjustment. Cash payments were also made to encourage additional food production and storage for home use on the acreage formerly used for cotton.

Under this program, cotton growers who participated could receive stamps good at any retail store for the purchase of cotton goods manufactured in this country from domestic cotton. They could earn these stamps by planting in 1941 an acreage of cotton less than their 1941 farm cotton acreage allotment or the 1940 measured acreage for the farm, whichever was smaller. Payments were computed at the rate of 10 cents per pound of the normal yield on the reduced acreage. Each producer was permitted to earn a maximum of \$25 worth of cotton stamps on one farm, except that producers interested in more than one farm, or operators of a farm with two or more tenants or share croppers could earn up to \$50 in stamps. In addition, each participating farmer could earn a payment of \$3 by raising food for his family on the land taken out of cotton. The full extent of participation under the Supplementary Cotton Program will not be known until after stamp payments are completed during the 1942 fiscal year.

### THE LOW-COST MILK PROGRAMS

The Surplus Marketing Administration's low-cost milk programs which are designed to encourage the consumption of fluid milk were expanded during the 1941 fiscal year. The purpose of these programs is twofold: (1) To improve returns to milk producers by

utilizing supplies of milk for fluid consumption which otherwise would be used for manufacturing butter, cheese, or other dairy products; and (2) to increase milk consumption by needy persons and families who are unable to secure sufficient quantities at regular prices. Two types of low-cost milk programs have been developed and are being operated—one supplies milk to public aid families at a low price, and the other makes milk available for use by children in schools.

#### HOW THE PROGRAMS WORK

The low-cost milk programs differ in two important respects from the other distribution operations of the Surplus Marketing Administration. First, the expenditures by the Surplus Marketing Administration take the form of payments, in the nature of indemnities, to handlers selling the milk to eligible low-income consumers or to agencies who in turn resell or distribute it to these consumers. Hence, the Surplus Marketing Administration itself does not enter into any purchase transaction, but merely facilitates, or subsidizes, the sale of milk to low-income consumers. Second, since the Surplus Marketing Administration does not donate the milk to such consumers, the quantities of milk consumed by them are dependent upon economic motivations; that is, upon the reaction of the eligible purchasers to the low price which is established for the milk. The program is predicated on the supposition that, given an opportunity to purchase milk at a price markedly below prevailing retail prices, low-income consumers will increase their purchases. The amount purchased by them is, however, limited in a broad way by maximum quantities specified by the Surplus Marketing Administration.

#### ADVANTAGES TO PRODUCERS AND CONSUMERS

The low price at which the milk is sold to eligible persons is made possible through provision for a special price to be paid producers, and through the Federal indemnity payment to handlers whose bids for supplying the milk are accepted. The indemnity payment, plus the price received from sales, reimburses each handler for the milk and the handling and distributing services. The special producer price for milk used in the programs is lower than that for regularly sold fluid milk, but higher than the price producers receive for so-called "surplus" milk used for manufacturing purposes. Through this arrangement it has been possible to increase the consumption of fluid milk among those needy persons participating in the programs at the same time that returns to producers were improved for the additional quantities of milk used.

#### MILK FOR NEEDY FAMILIES

Programs making milk available at a low price to public aid families have been in operation in the Greater Boston milk marketing area (including also Burlington and Wilmington, Massachusetts, and Manchester, New Hampshire) since August 7, 1939; in Chicago, Illinois, since November 13, 1939; in New Orleans, Louisiana, since May 15, 1940; in Washington, D. C., since August 12, 1940; in New York City, since December 17, 1940; and in the St. Louis, Missouri,

milk marketing area, since March 31, 1941. Since in all of these marketing areas Federal orders regulate the handling of milk, the programs supplement operations under each of the orders.

At the end of the 1941 fiscal year more than 157,000 public aid families received their daily milk supply at a price lower than that for regularly sold fluid milk. These families included more than 455,000 persons.

#### OPERATIONS IN DIFFERENT AREAS

In the Greater Boston area more than 134,000 needy persons were served. Milk was sold to those eligible at 6 cents per quart from distributing stations established by local welfare authorities. For this milk producers received a special price of \$2.78 per hundredweight (5.98 cents per quart) which was 40 cents per hundredweight (0.86 cent per quart) less than the order price for fluid milk sold in regular channels. The Federal indemnity payment to handlers for supplying the milk and selling it at the depots was at an average rate of 1.7 cents per quart. Approximately 50,600 quarts were distributed daily.

Families representing over 39,000 needy persons participated in the program in New Orleans where milk was sold at 5 cents per quart from distributing depots. The producer price was \$2 per hundredweight in the 61-70 mile zone from New Orleans. This compared with the order price for regularly sold fluid milk of \$2.75 per hundredweight from August through March and \$2.40 from April through July. The indemnity payment to handlers was at an average rate of 2.2 cents per quart. Daily distribution averaged over 8,300 quarts.

Participating in the program for Washington were families representing nearly 12,000 needy persons. Milk sold from distributing depots at 5 cents per quart. Producers received a price of \$1.991½ per hundredweight plus premiums for milk sold under the program. For regularly sold fluid milk, the producer price was \$3.17 plus premiums. The Federal indemnity payment averaged 3 cents per quart. Daily milk distribution approximated 2,600 quarts.

#### CHICAGO AND NEW YORK

Nearly 135,000 persons received milk under the program in Chicago. About 80 percent of the milk made available to the needy was distributed to homes and the remainder through distributing depots. Local relief authorities purchased the milk at 5 cents per quart for home delivery and 4 cents per quart for depot distribution. The 4-cent price approximated the return to producers which was \$1.63 per hundredweight, f. o. b. the 70-mile zone, or about \$1.93 f. o. b. the city. This compared with a price of \$2.119 per hundredweight f. o. b. the 70-mile zone for regularly sold fluid milk during the month of June, as computed by the formula establishing the fluid milk price under the Chicago milk order. The Federal indemnity payment averaged 1.23 cents per quart on depot-distributed milk, and was at a flat rate of 2.8 cents per quart on home-delivered milk. Daily distribution averaged over 88,200 quarts.

Under the program for New York City, more than 129,000 needy persons received milk. Retail stores distributed the milk in ex-

change for coupons issued by the city welfare department to relief recipients with children under 16 years of age. The coupons, issued free, made it possible for the needy to get milk as an addition to other welfare assistance. The coupons turned in for milk were redeemed by the welfare department at 5 cents each. Producers received a special price 57 cents per hundredweight less than the price established for regularly sold fluid milk, which in June was \$2.40 per hundredweight in the 201-210 mile zone. The Federal indemnity payment to handlers was at a flat rate of 2.7 cents per quart with increases or decreases when the special producer price exceeded or was below \$2.08 per hundredweight in the 201-210 mile zone. Out of the 5-cent selling price plus the 2.7-cent indemnity, the handler paid the retail store one-half cent per quart for distributing the milk to needy participants and collecting the coupons. More than 56,200 quarts of milk were distributed daily.

Nearly 5,500 persons took part in the program in St. Louis. Milk was delivered to the homes of recipients who applied. Welfare authorities bought the milk at 5 cents per quart and deducted the amount from the financial assistance given the needy. Producers received a price which was 46 cents per hundredweight less than the price of fluid milk sold in regular channels. The Federal indemnity to handlers was 2.22 cents per quart when the producer price was at \$2.08 per hundredweight f. o. b. the city.

#### MILK FOR SCHOOL CHILDREN

In addition to the milk programs for needy families, similar programs under which milk is made available to school children at a penny a half pint bottle were in effect during the 1941 fiscal year in some of these and in other cities. At the close of the 1940-41 school year daily supplies of milk were available under the school milk program to over 800,000 children.

Prior to July 1, 1940, only one school milk program was in operation. This was in the city of Chicago. That program was approved on May 28, 1940, and was limited to 15 selected elementary schools situated in low-income areas, with a total enrollment of 13,256 children. The program was established on an experimental basis for the purpose of testing out the feasibility of increasing the consumption of milk among needy children through distribution on school premises. Under the program, these children were enabled to secure milk each school day at the price of 1 cent per one-half pint.

Distribution was started on June 4 and continued for a 3-week period until the close of the school year. During this period a total of 102,226 one-half pints of milk were consumed by the children in attendance at the selected schools. Approximately 54 percent of the children attending these schools purchased milk each day. Some children who did not have the 1 cent to pay for the milk secured free milk through the donation of the purchase price by teachers or outsiders. The consumption of milk in these schools previous to the inauguration of the program, when milk was purchased at prevailing prices, ranged from 40 to 90 one-half pints of milk per day as compared with an average of 487 one-half pints per day under the program.

## EARLY RESULTS IN NEW YORK

The experiment of distributing milk to school children was extended to New York City on October 14, 1940, under a program approved for the remainder of that calendar year. At first the sale of milk was conducted in only 45 schools; but as acceptable bids were secured for additional schools, the program was extended. By the end of November, 123 schools or school units had been brought under the program. In addition, milk was provided for all children receiving free lunches.

Under the New York program, results somewhat similar to those under the Chicago program were secured. Consumption in the participating 123 schools increased to 104,000 one-half pints of milk daily by the end of November, as compared with 18,000 one-half pints before the program was instituted.

## SCHOOL MILK PLAN EXTENDED

The results secured under the experimental operations in Chicago and New York City showed that the distribution of milk to needy school children for consumption on school premises was a feasible method of increasing the consumption of milk by them and of disposing of surpluses of milk as a means of aiding milk producers. Accordingly, steps were taken to operate the program in New York City on a continuing basis and to reestablish the program in Chicago. The distribution of milk under the extended program in Chicago was started January 20, 1941.

Following the establishment of the programs in New York City and Chicago on a continuing basis, steps were taken to establish similar programs in other communities. The interest of local school authorities in these programs and their desire to make more milk available to needy children at a price within their reach resulted in the completion of the details of the programs for seven additional areas within three months. On April 10, 1941, programs were approved for Omaha, Nebraska, and Ogden, Utah; on April 11, for Birmingham, Alabama; on April 21, for St. Louis, Missouri, and the Greater Boston area; on April 30, for Toledo, Ohio; and on May 12, for the Lowell-Lawrence, Massachusetts, area. Except in Birmingham and Ogden, these programs were similar to those in New York City and Chicago. All these programs terminated with the close of the 1940-41 school year. Their renewal during the 1941-42 school year was, however, expected.

Deliveries of milk under all these programs except the program for Toledo commenced during April and May. No deliveries under the Toledo program were made during the 1940-41 school year because of the rejection of the first bids received and of the fact that there was not sufficient time to request new bids so as to provide an adequate opportunity to operate the plan during the remainder of the school year if the new bids were acceptable.

## DEALING WITH SPECIFIC AGRICULTURAL MARKETING PROBLEMS

Approximately 50 agricultural commodities were involved in one or more of the Surplus Marketing Administration programs which

operated during the 1941 fiscal year. Programs that applied to any one commodity took into consideration the marketing difficulties that confronted the producers of the particular product, and the means taken to deal with these problems of course varied in accordance with the requirements of the situation.

TABLE 9.—*Diversion of agricultural commodities to by-products and new uses, fiscal year 1941*

Program	Quantity	Units	Expendi- ture <sup>1</sup>
Coffee:			
Importation of Puerto Rican coffee to Continental United States.....	2,500,000	Pounds.....	\$49,807
Cotton:			
Diversion to cotton bagging.....	2,045,275	Patterns.....	311,319
Diversion to paper.....	2,553,500	Pounds.....	86,181
Diversion to insulation.....	6,200,000	Pounds.....	372,000
Dates:			
Diversion to byproducts.....	2,750,000	Pounds.....	75,625
Fiber flax: <sup>2</sup>			
Diversion into spinning fiber.....	9,090	Tons.....	49,995
Low-cost milk:			
For families—			
Boston.....	19,369,006	Quarts.....	313,675
Chicago.....	33,497,090	Quarts.....	899,027
New Orleans.....	3,344,797	Quarts.....	76,989
Washington, D. C.....	2,087,420	Quarts.....	60,386
New York.....	12,295,193	Quarts.....	331,970
St. Louis.....	3,452,317	Quarts.....	76,642
For school children—			
New York.....	22,025,887	Quarts.....	1,262,400
Omaha.....	72,063	Quarts.....	2,868
Ogden.....	19,095	Quarts.....	762
Birmingham.....	81,292	Quarts.....	4,034
St. Louis.....	77,517	Quarts.....	2,595
Greater Boston.....	556,804	Quarts.....	32,446
Lawrence.....	60,956	Quarts.....	3,169
Peanuts:			
Diversion to oil and other byproducts.....	283,756	Tons.....	8,700,181
Fall and winter pears:			
Diversion to new markets.....	394,166	Boxes.....	165,000
Irish potatoes:			
Diversion to starch or dextrine.....	2,701,850	Barrels.....	1,083,406
Diversion to livestock feed.....	455,712,643	Pounds.....	1,143,151
Sweet potatoes:			
Diversion to starch, livestock feed and by products.....	9,000,000	Pounds.....	22,500
Walnuts:			
Diversion to shelling and export.....	205,011	100 lb. bags.....	768,791
Total.....			15,894,919

<sup>1</sup> Figures reported subject to revision when all obligations incurred have been liquidated.

<sup>2</sup> Estimated tonnage.

For some commodities only limited purchases of excess supplies were necessary to bring about improved marketing conditions, while for some others more extensive purchases had to be made in addition to making supplies available under the Food Stamp Program. Still at other times, the Food Stamp Program alone was utilized in bringing about the desired improvement.

The different combinations of programs that were employed included those designed to divert excess supplies of a commodity to byproduct outlets and to develop new uses. In certain instances, programs were put into effect to encourage exports to designated areas, or to encourage the development of new domestic markets. Frequently, purchase and other activities supplemented operations under marketing agreement programs.

TABLE 10.—*Commodities bought and expenditures under direct purchase and distribution (including school lunch) programs, fiscal year 1941*

Commodity	Quantity	Unit	Expenditure <sup>1</sup>
Apples, fresh.....	7, 426, 122	Bushels.....	\$8, 047, 665
Apricots, dried.....	1, 642, 000	Pounds.....	178, 057
Beans:			
Dried.....	120, 377, 800	Pounds.....	4, 026, 480
Pork and beans.....	1, 497, 835	Cases.....	2, 049, 839
Fresh, green.....	855, 480	Pounds.....	16, 124
Beets, fresh.....	10, 256, 557	Pounds.....	105, 567
Blankets <sup>2</sup> .....			53, 120
Butter.....	6, 618, 525	Pounds.....	2, 065, 695
Cabbage, fresh.....	62, 292, 050	Pounds.....	607, 291
Carrots, fresh.....	15, 313, 745	Pounds.....	167, 065
Celery.....	20, 344	Crates.....	31, 145
Cheese <sup>2</sup> .....			31, 771
Comforter covering.....	24, 526, 751	Yards.....	2, 400, 045
Corn, fresh.....	42, 649	Bushels.....	17, 662
Corn grits.....	15, 000, 000	Pounds.....	418, 236
Corn meal <sup>2</sup> .....			271, 365
Cotton, raw.....	197, 447, 938	Pounds.....	20, 328, 269
Eggs.....	508, 746	Cases.....	3, 678, 210
Flour:			
Enriched wheat.....	383, 400	Barrels.....	2, 445, 274
Graham.....	150, 050	Barrels.....	873, 587
Grapefruit <sup>3</sup> .....	1, 220, 695	Boxes.....	1, 731, 698
Grapefruit, canned.....	398, 418	Cases.....	836, 678
Grapefruit juice, canned.....	1, 252, 430	Cases.....	1, 859, 125
Honey.....	3, 558, 000	Pounds.....	163, 145
Lard.....	26, 876, 907	Pounds.....	3, 664, 501
Loganberries <sup>2</sup> .....			3, 580
Milk:			
Dry skim <sup>4</sup> .....			30, 637
Evaporated.....	100, 000	Cases.....	725, 870
Oat cereal.....	35, 875, 240	Pounds.....	1, 338, 146
Onions.....	12, 103, 750	Pounds.....	169, 573
Oranges.....	1, 625, 316	Boxes.....	2, 903, 350
Peaches:			
Canned.....	329, 014	Cases.....	738, 782
Dried.....	13, 751, 988	Pounds.....	1, 290, 443
Fresh.....	204, 367	Bushels.....	378, 192
Pears, fresh.....	1, 014, 922	Boxes.....	1, 563, 054
Peanut butter.....	1, 762, 000	Pounds.....	193, 495
Peas, fresh.....	1, 251, 180	Pounds.....	46, 833
Pecans.....	453, 448	Pounds.....	121, 222
Pork.....	5, 000, 000	Pounds.....	1, 937, 749
Potatoes, white.....	6, 239, 840	Bushels.....	4, 484, 921
Prunes:			
Dried.....	80, 328, 000	Pounds.....	2, 876, 683
Fresh.....	102, 150	Bushels.....	179, 502
Raisins <sup>2</sup> .....			1, 117, 308
Rice <sup>2</sup> .....			528, 006
Sheeting <sup>2</sup> .....			36, 623
Soup, dehydrated.....	4, 000, 000	Pounds.....	559, 874
Ticking.....	36, 917, 103	Yards.....	4, 265, 476
Tomatoes:			
Canned.....	1, 000, 000	Cases.....	2, 000, 000
Fresh.....	27, 007, 316	Pounds.....	680, 169
Turkeys.....	34, 626	Pounds.....	6, 120
Wheat cereal <sup>2</sup> .....			179, 973
Total.....			\$84, 423, 195

<sup>1</sup> Figures reported subject to revision when all obligations incurred have been liquidated.<sup>2</sup> Transportation and storage charges on commodities purchased with funds of prior years.<sup>3</sup> Boxes of 1½ bushels each.<sup>4</sup> Donated by Dairy Products Marketing Association.

## EFFECT OF WAR CONDITIONS

The marked improvement in consumer purchasing power which took place particularly during the latter part of the 1941 fiscal year provided substantial assistance in marketing many farm products. The sharp drop in exports resulting from the war, however, adversely affected marketing conditions for a number of crops, particularly those for which substantial export outlets had been devel-

oped. However, for some commodities, lend-lease shipments abroad meant a wider market than would otherwise be open. For those products not affected by lend-lease shipments, the loss of export outlets meant that more of these particular commodities would have to be absorbed in the domestic market. A review of some of the programs conducted during the 1941 fiscal year indicates the diverse nature of the farm marketing problems.

TABLE 11.—*Export encouragement programs, fiscal year 1941*

Export Program	Quantity	Units	Expenditure <sup>1</sup>
Cotton and cotton products <sup>2</sup> .....	233, 395, 983	Pounds.....	\$7, 424, 902
One variety cotton improvement.....	111, 670	Bales.....	457, 025
Wheat flour <sup>2</sup> .....	3, 927, 477	Barrels.....	3, 904, 983
Wheat.....	3, 330, 982	Bushels.....	572, 813
Total.....			12, 359, 723

<sup>1</sup> Figures reported subject to revision when all obligations incurred have been liquidated.

<sup>2</sup> Includes total declarations for export.

#### AID TO APPLE GROWERS

Commercial apple production in the United States totaled 114,400,000 bushels in the 1940 season. This crop probably would not have created a serious marketing problem had it not been for the closing of the European markets. Because of the war, this country not only lost most of its export outlets for apples, but was faced with imports of apples from Canada where growers also had lost their normal export market.

During the 1940 season United States apple exports totaled 1,400,000 bushels, as compared to 6,200,000 bushels in the 1939 season, and an average of 15,500,000 bushels during the 6 seasons immediately preceding the outbreak of the war. At the same time, apple imports increased from an average of 23,000 bushels during the 6 years, 1933-38, to over 100,000 bushels in the 1939 season, and nearly 600,000 bushels in the 1940 season. Such a decline in exports and an increase in imports, of course, added directly to the quantity of apples to be absorbed in this country.

Of the apples produced in commercial areas in the United States, nearly 3,300,000 bushels were unharvested on account of marketing conditions in the 1940 season, and about 9,600,000 bushels were consumed on the farm. This left a total of 101,500,000 bushels to be sold. Of this quantity, only 1,400,000 bushels found a foreign market. In order to relieve the pressure of the remaining available supply, the Surplus Marketing Administration purchased about 7,500,000 bushels of fresh apples for distribution purposes and, in addition, apples were put on the list of foods available under the Food Stamp Program. It is estimated that approximately 1,300,000 bushels of apples were purchased with blue stamps. Although these purchase and distribution activities fell short of compensating for the lost export outlets, they were of substantial aid to the apple growers not only in providing a much needed outlet, but also in supporting the commercial market for all the other apples sold.

## PURCHASES MADE

Purchases were made so as to, first, secure an orderly movement of the apple crop to market in such a manner as to obtain reasonable returns to growers and, at the same time, insure consumers getting the apples in good condition; and, second, to conserve food supplies by utilizing apples that would otherwise be diverted into byproduct outlets or else wasted. Purchases were concentrated primarily in those areas that suffered most from the loss of export markets and on those varieties, grades, and sizes normally exported. Prices were set so as to give the most effective support to the commercial market and, at the same time, encourage the movement of apples into consumption when they were in good condition. The farm price for the season averaged 81 cents a bushel, as compared to 64 cents a bushel for the 1939 season, and an average of 82 cents a bushel for the 6 seasons, 1933-38.

During the marketing season, the apple industry was intensely concerned about the imports of Canadian apples. In response to numerous requests, the Surplus Marketing Administration, in cooperation with the Office of Foreign Agricultural Relations, held several conferences with Canadian Government officials with the result that the Canadians agreed to limit their shipments of apples into the United States to 650,000 boxes, which is the equivalent of about 560,000 bushels. Arrangements were also made for further conferences regarding the shipment of apples between the two countries during the 1941 marketing season.

## ORANGE PRODUCERS HELPED

With the steady increase in production of oranges that has taken place over the last decade, the present capacity of the orange acreage in the United States is such that with exceptionally good growing conditions a crop of 100,000,000 boxes could be produced. Production during the past season approached 82,000,000 boxes, of which nearly 48,000,000 were grown in California and Arizona, 31,000,000 in Florida, and approximately 3,000,000 in Texas and all other States. Marketing agreement programs continued to operate during the 1941 fiscal year in the California-Arizona and Florida producing areas. These programs differ in the two principal areas, due to differences in the structure of marketing institutions in the areas. In California-Arizona, the program limits the weekly quantities of fresh oranges which may be shipped to interstate markets. In Florida, the program places restrictions on the grades and sizes of fresh oranges which may be shipped to out-of-State channels. In administering these programs, an effort has been made to avoid sharp reductions in the total volume of fresh shipments over the season, and encourage the necessary adjustments of producers and handlers to the long-time forces confronting the orange industry.

The marketing channels for oranges have, moreover, been enlarged by purchases for distribution and for lend-lease shipment. During the fiscal year 1940-41, over 1,600,000 boxes of fresh oranges and over 90,000 gallons of concentrated orange juice were purchased. In

addition, oranges were available under the Food Stamp Program during the entire fiscal year.

As a result of these activities and of the higher level of national income as compared with previous years, returns to orange producers were above those of recent seasons. Grower prices for all oranges sold for fresh consumption in 1940-41 averaged about 10 cents a box above the price in 1939-40 and 30 cents a box above the 1938-39 price.

#### TANGERINE MARKETING

Practically all of the United States tangerines are produced in Florida. The 1940 Florida tangerine crop, estimated at 2,700,000 boxes, was the third largest crop in the history of the industry. Eastern auction prices of Florida tangerines averaged \$2.38 a  $1\frac{3}{5}$ -bushel box during the 1940-41 season, which was about 35 cents a box below the average of the 1939-40 season and about the same as the average for the preceding 5 seasons.

Regulations under the Florida citrus marketing agreement program prevented shipments of lower grades and of sizes which were discounted in the terminal markets. Shipments to out-of-State markets were limited to U. S. Combination and higher grades until the latter part of January, after which U. S. No. 2 and higher grades were permitted to be shipped. Fruit of a size smaller than 210 a box was restricted from shipment to interstate channels until the latter part of January, after which fruit of size 246 and larger was permitted to be shipped. The eating quality of the Florida tangerine crop was relatively poor during this past marketing season, and, through the regulations issued under the marketing agreement program, only the preferred grades and sizes of fruit moved to market.

#### AID IN GRAPEFRUIT MARKETING

The upward trend of production during the last decade has been sharper for grapefruit than for oranges. Annual production averaged 17,000,000 boxes during the 5 seasons ended in 1934-35 and 32,000,000 boxes during the following 5 seasons. The crop of the 1940-41 season approximatel 43,000,000 boxes, with 24,600,000 boxes produced in Florida, 13,800,000 boxes in Texas, and 4,600,000 boxes in California-Arizona. The rate of increase of production has been more rapid for Texas than for the other areas.

As a result of this tremendous increase in production during recent years, grapefruit producers have sought assistance from the Federal Government through marketing agreement programs and purchase and distribution programs. In Florida regulations of shipments of fresh grapefruit under the citrus marketing agreement program were in effect during the entire season of 1940-41. Under this program the grades and sizes of fruit moving in interstate commerce were regulated. A new marketing agreement program approved for desert grapefruit grown in California-Arizona did not become effective until May 26, 1941, and first operations will not begin until the harvest of the 1941-42 crop. In the Texas grapefruit-producing area there was no program in effect during the fiscal year of 1940-41, although producers have shown some interest in developing a new program.

During the 1941 fiscal year over 1,200,000 boxes of fresh grape-

fruit were purchased for direct distribution. In addition, over 600,000 boxes of grapefruit were purchased from producers and processed into grapefruit juice for direct distribution purposes, while over 700,000 cases of 24 No. 2 cans of canned grapefruit juice and 400,000 cases of canned grapefruit segments were purchased from canners' stocks. Total purchases were equivalent to about 2,800,000 boxes of fresh fruit. In addition to these activities, fresh grapefruit was on the list of foods available under the Food Stamp Program during the months of November through June.

#### DRIED FRUITS

The dried fruit industry has expanded from an annual average of 200,000 tons of dried fruit during the 5 years 1909-13 to an average of 570,000 tons during the last 5 years. A growing disparity between production and consumption requirements was aggravated during the years 1928-34, and, although there was a marked improvement up to the outbreak of the war, recovery was not complete.

A further set-back was in the loss of export markets that followed the outbreak of the war. Export shipments, which in the past took up to 50 percent of the production of some dried fruits, were reduced in 1940-41 to 42 percent of their average during the previous 5 years. For some individual dried fruits, exports have been cut to a mere 10 percent of their previous levels. The loss of the European market, which normally took 75 percent of all exports, has been the cause of this drastic reduction.

For the past 6 years the impact of these marketing problems has been mitigated by Federal and State programs, and also by programs instituted by the dried fruit industries themselves. In an endeavor to reduce the supplies available for market nearly 379,000 tons of dried fruits have been purchased during this period with Federal and State funds for distribution to persons on relief, for school lunches, and, more recently, for lend-lease and Red Cross shipment abroad. Diversion programs, with the twofold purpose of reducing supplies and improving the quality of the dried fruits reaching the consumer, have transferred approximately 77,000 tons of low-grade fruit from regular trade channels to byproduct manufacture.

#### PRUNE GROWERS ASSISTED

The dried prune industry, for example, at the beginning of the 1940-41 season, felt that the decline in export markets was affecting it more severely than other industries. Although the crop in California was only 184,000 tons—not a large production—and the crop in the Northwest was a failure—being only 2,700 tons—there was a heavy carry-over of 62,500 tons from the preceding year. Supplies, as usual, were well in excess of what available outlets could absorb.

The industry established a program under the California Agricultural Prorate Act, under which growers were to deliver 38 percent of their standard production to a stabilization pool which could be used at the discretion of a Proration Zone Program Committee for regular export trade, domestic trade if necessary, and for disposal in relief distribution channels. In addition, growers were to deliver 22 percent of their standard production to a surplus pool to be used

for barter agreements with foreign countries and for relief and Red Cross distribution. The remaining 40 percent of the growers' standard production was free tonnage for sale as they saw fit. All substandard fruit was to be delivered to a substandard pool for diversion to byproducts, but without Government benefit payments.

Federal loans were made available to growers of fruit delivered to the stabilization and surplus pools. The rates of these loans helped to establish field prices to growers in packer purchase operations. Deliveries to the stabilization pool were about 57,000 tons and to the surplus pool about 32,000 tons. In addition, approximately 16,000 tons were diverted to byproducts.

Before the end of the 1940-41 season, the Surplus Marketing Administration had purchased the entire surplus pool—32,184 tons—to be processed and used for direct distribution purposes. Also purchased for distribution and lend-lease shipment were 32,896 tons of 1940-crop prunes from the stabilization pool, and 7,325 tons from packers. Prunes were also included among the foods available under the Food Stamp Program.

#### HELP IN MARKETING WALNUTS

Recurring surpluses of domestic walnuts during the past several years have resulted from an increasing supply of domestic walnuts produced in the Pacific Coast States, and a less rapidly increasing volume that can be marketed annually in unshelled form at prices remunerative to producers. During the early 1930's, a decline in import of shelled walnuts to some extent afforded a measure of relief to producers, but despite the fact that these imports have been negligible since 1933, further adjustment to marketing conditions has been necessary.

Since 1933-34 a marketing agreement program has been in operation each season to aid the industry in adjusting the available supplies to prevailing marketing conditions. This program provides for the segregation of surplus merchantable tonnage and for its disposition in unshelled form in export markets and in shelled form in domestic markets. Over the past 8 years nearly one-third of all merchantable walnuts has been withdrawn from the domestic unshelled market. In order to relieve the industry of part of the burden resulting from the disposal of surplus tonnage, payments exceeding \$6,500,000 have been paid to Pacific coast walnut producers during the past six seasons.

During the 1940-41 marketing season, walnut producers were again faced with the problem of surplus supplies. The problem was made more acute by the loss of foreign markets which had gradually been developed under marketing agreement programs as a means of mitigating the surplus situation. Domestic production at the start of the 1940-41 season was estimated at about 52,000 tons, or approximately the same as average production during the preceding 6 seasons. With such a crop in prospect the salable percentage of the crop was initially established at 75 percent under the marketing agreement program.

As the season progressed, the fact that production was falling below original estimates became evident, and this reduction was accompanied by an increase in the salable percentage to 85 percent. Under the marketing agreement program, approximately 5,600 tons of domestic walnuts were diverted from normal channels for disposition in export

markets or in domestic shelled channels. The average farm price to Pacific Coast walnut producers during the 1940-41 season amounted to approximately 11 cents a pound, compared with an average of slightly over 8 cents a pound during the preceding marketing season.

#### DRY EDIBLE BEAN PURCHASES

The United States dry edible bean supply for the crop marketing year beginning September 1, 1940, totaled approximately 18,500,000 bags of 100 pounds (cleaned basis). No previous supply was larger. It compares with the 1939 supply of 16,900,000 bags and an average supply of 14,400,000 bags during the 5-year period, 1934-38. The 1940 United States supply of beans consisted of a production of about 15,000,000 bags, a carry-in of 3,400,000 bags and imports of about 90,000 bags. The 1940 crop—consisting of about 20 distinct commercial classes—was harvested from 1,836,000 acres in some 16 States. Six States—California, Michigan, Colorado, Idaho, New York, and New Mexico—accounted for more than 90 percent of the crop.

The record large 1940 supply tended to depress prices in the early part of the 1940 season to an extent that the Surplus Marketing Administration put into effect a purchase program in the early winter months. The United States farm price averaged \$2.89 per hundredweight in September 1940, and reached a low price for the season of \$2.69 per hundredweight during the months February and March 1941. As a result of relatively large purchases of dry beans, the price rose to \$3.68 per hundredweight in April and to \$3.86 in June 1941.

Purchases of dry edible beans for all purposes exceeded 2,800,000 bags during the 1941 fiscal year, or approximately 15 percent of the total 1940 United States supply. These beans alone cost the Government more than \$10,000,000. Purchases of Great Northern, Pink, Pinto, and Pea beans were particularly heavy, totaling 30, 22, 21, and 19 percent, respectively, of the supplies of these commercial classes. In addition to the purchases, dry edible beans have been continuously available under the Food Stamp Program.

#### POTATO MARKETING ASSISTANCE

Production of potatoes during the 1940 season was large, despite the fact that early estimates indicated that a crop of about average size would be produced. The July 1940 crop report estimated production at 371,263,000 bushels, and increases were reported each successive month until the final report in December showed a production of 397,722,000 bushels, a crop 30,773,000 bushels greater than the 10-year, 1929-38, average. The surplus was particularly heavy in the western States as a result of record yields.

Potato prices declined rapidly in July and continued at low levels through the entire harvesting season. Seasonal low prices were reached in October, when the United States farm price averaged 52 cents per bushel. In several of the commercial areas located at relatively long distances from the consuming centers, prices were extremely low and growers could not find commercial market outlets sufficient to take the whole crop.

## PURCHASES MADE

In order to assist growers in marketing their large crop, a purchase program was put into effect in July and extended from area to area as the harvesting season progressed. A total of 11,041 cars, equivalent to over 6,000,000 bushels, was purchased in 14 States at a commodity cost of over \$2,600,000. Potatoes bought were used for distribution purposes.

Potatoes were also placed on the list of foods under the Food Stamp Program and a total of 4,573,000 bushels was purchased with stamps during the period October 1, 1940, to June 30, 1941.

A program for diverting surplus potatoes to starch began operating in Maine in September 1940 and continued until the end of June 1941. The program was available to all potato starch factories in the United States, but during the 1940-41 season practically all were in Maine. Two new plants were under construction in Idaho. One factory in Minnesota began operating late in the season and continued until the end of June. A total of 80 cents per barrel, or 29 cents per bushel, for U. S. No. 2 or better potatoes, and 20 cents per barrel, or 7.2 cents per bushel, for culls was paid by the manufacturers who were entitled to claim diversion payments amounting to 14.4 cents per bushel for all potatoes meeting diversion specifications. No diversion payments were made for processing culls.

## POTATOES TO STARCH

The starch diversion program afforded Maine growers an outlet for a large proportion of their potatoes early in the season and prevented out-of-State shipment of large quantities at ruinously low prices, which would have further depressed prices in other areas. After the program got under way, Maine f. o. b. prices advanced and the effect was felt in all of the eastern markets. A total of over 8,100,000 bushels of potatoes was ground into starch, of which more than 7,400,000 bushels met specifications to qualify for payments under the diversion program. Growers received more than \$2,200,000 for starch potatoes of which over \$1,083,000 represented diversion payments.

Another program encouraged the diversion of surplus potatoes for livestock feeding. It operated in the 8 western States of Nebraska, Wyoming, Colorado, Utah, Idaho, Washington, Oregon, and northern California. Actual diversions began late in February 1941, and were largely completed by the end of May. Bulk prices received by growers in commercial areas in Idaho averaged 28.2 cents per bushel for U. S. No. 1 grade and 5.4 cents per bushel for U. S. No. 2 grade. After the start of the program, practically all of the U. S. No. 2 potatoes were withdrawn from the regular commercial market, as the diversion payment for No. 2 or better potatoes was 15 cents per bushel. Grower prices for potatoes advanced in all areas after the program got under way. Weekly carlot shipments of potatoes were higher during the period of operation of the program than they had been previously. A total of over 6,300,000 bushels of potatoes was diverted and diversion payments were made on over 5,200,000 bushels. Payments exceeded \$784,000 and no payments

were made for the culls diverted. In addition to receiving these payments, growers either fed their potatoes to livestock or sold them to commercial livestock feeders.

#### PEANUT GROWERS HELPED

The production of peanuts affords a substantial cash income on more than 148,000 farms in the United States. In 1940 approximately 2,950,000 acres were planted, of which 2,000,000 acres were picked and threshed, producing 865,000 tons of peanuts with a farm value of \$57,000,000. Production in the previous year approximated 590,000 tons, compared with 650,000 tons in 1938, and an average of approximately 440,000 tons in the 1928-32 period.

In order to aid growers in marketing the large 1940 crop, a program was put into effect to deal with the problem of surplus peanuts. Developed in cooperation with growers and trade members, the program was similar to those in effect for the 1937, 1938, and 1939 crops. Under this program regional associations of producers acquired peanuts from producers at authorized prices for the various types and grades of farmers' stock peanuts grown in 1940. These prices were: for Virginia type, No. 3, Class A, \$65 per ton; for Southeastern Spanish, No. 1, \$65 per ton; for Runner type, No. 1, \$57 per ton; and for Southwestern Spanish, No. 1, \$64 per ton. The prices of other grades varied accordingly.

#### USED FOR OIL

The associations, under the direction of the Surplus Marketing Administration, could sell the peanuts for crushing into oil and by-products. Payments were made to the associations equal to the differences between the authorized purchase price paid to producers and the sales price for diversion into oil and byproducts, plus an allowance for the cost of handling the peanuts diverted. The associations also could sell the peanuts received to the edible trade at the authorized prices plus handling charges.

Approximately 395,000 tons of peanuts were purchased by the cooperating associations. Of this total, about 280,000 tons were sold for crushing at a net cost to the Government of around \$8,700,000. The balance was sold for use in normal trade channels.

When there is a large surplus above the needs of the edible trade, as was the case in 1940, prices of peanuts tend to fall to the value for crushing into oil and meal. The value of peanuts for crushing during the heavy marketing season for the 1940 crop was only \$25 to \$35 per ton. The average price received by farmers, however, as a result of this program was about \$66 per ton. The program, therefore, had the effect of increasing incomes of producers by approximately \$23,000,000. The consumption of peanuts in edible channels also was encouraged because the program made available ample storage stocks at prices fair to consumers.

About 155,000,000 pounds of peanut oil, out of the total of 171,000,000 pounds produced in 1940-41, were from peanuts diverted to oil under the program. Thus the program also assisted in enlarging the supply of fats and oils at a time when additions to the supply were very much needed because of the reduction in imports and the increase in requirements resulting from the defense program.

## PROGRAMS FOR COTTON

Efforts to encourage new uses and wider outlets for cotton continued during the 1941 fiscal year. Programs in effect, exclusive of the Cotton Stamp Program and the Supplementary Cotton Program, encouraged the movement of more than 1,300,000 bales of cotton into export and domestic outlets.

Under a program designed to assist exports of cotton products, the equivalent of 642,054 bales was sold or delivered for export, as compared to 491,488 bales (including 51,059 bales of spinnable waste) in the 1940 fiscal year. The 1940 figure in itself represented a great advance in exports of manufactured cotton goods over previous years. The 1941 program was not only successful in enlarging the amount of cotton products exported or sold for export, but it also helped make possible the export of cotton goods manufactured in the United States to many countries, such as South Africa, India, and others, which in recent years have taken very little of these products from this country.

## EXPORTS ENCOURAGED

At the beginning of the fiscal year the rate of payment on cotton goods in Class E, which comprised most of the goods exported, was one cent per pound. On August 26, 1940, the rate of payment was raised to 3.5 cents per pound. This higher rate made it possible for United States goods to compete more advantageously in world markets.

The period for exporting lint cotton sold in connection with the export program for the fiscal year 1940 was extended to March 31, 1941, and about 75,000 bales were exported in the period from July 1, 1940, to that date. Thus, increased domestic manufacture for export equivalent to about 645,000 bales of lint cotton, and exports of about 75,000 bales of lint cotton, resulted from the export programs.

## ONE-VARIETY COTTON PROGRAM

The one-variety cotton improvement and marketing program, first inaugurated in 1938, was continued through the 1941 fiscal year. It is designed to demonstrate to foreign and domestic spinners the advantages of standardized production of one-variety cotton over large areas and to show that such cotton properly handled is more desirable for spinning and more economical to use than cotton produced and handled under usual commercial conditions.

The program has tended to encourage over large geographic areas the production of cotton having homogeneous characteristics desired by spinners and to promote improved methods in handling, marketing, and delivering such cotton to both foreign and domestic spinners. Under the program, producers were furnished market price and classification information. Cotton of acceptable qualities was purchased daily from them by participating shippers on a net weight basis at prices arrived at by bargaining. Qualities suitable for the program were required to be ginned at an approved gin, sampled at the gin by an approved sampler, officially classified, well covered with approved bagging, permanently identified, undamaged by the compress and either exported or sold and delivered to domestic mills in

even-run lots from the same one-variety area. Full information as to the variety and source of the cotton was made available to spinners.

Under the program, the rate of payment to participating shippers for the exportation or sale and delivery of such cotton was \$2.25 per bale for uncompressed cotton, and \$2.60 per bale for compressed cotton. In view of the fact that, during the marketing season, the Commodity Credit Corporation loan rate was higher than the "going" market price, it was necessary to increase these payments by a "price equalization payment" designed to equalize the market value with the loan value, thereby enabling the shipper to purchase and the grower to sell cotton eligible under the program. Payments to shippers, ginner, and compressmen were intended to compensate them for the extra costs involved in establishing the new and improved methods required under the program and to relieve growers of the necessity of paying for such services which they otherwise would have had to do.

Payments under the program totaled approximately \$460,000 on over 111,000 bales of cotton from the 1940 crop. The cotton was assembled from 14,443 growers in 15 one-variety production areas. The immediate monetary gain to producers in connection with this program was approximately \$625,000. Marketing conditions were improved in many ways. Competition for quality cotton was stimulated among the buyers, and the bargaining position of producers was improved as a result of receiving price and classification information.

#### COTTON FOR MATTRESSES

The cotton mattress program was expanded in the 1941 fiscal year and was similar to the one carried on in the preceding year. The materials purchased by the Surplus Marketing Administration were distributed on application to local agencies, and persons who were certified as eligible manufactured them into mattresses and comforters for the use of their families. The Agricultural Adjustment Administration, the Farm Security Administration, the Extension Service, and State relief agencies cooperated in the program. Cotton and fabric acquired for distribution under the program were the equivalent of approximately 450,000 bales. Included in this total were 409,500 bales of lint cotton. The equivalent of about 31,500 bales is estimated to have been required in the manufacture of 36,000,000 linear yards of cotton ticking, 32 inches wide, and 11,000 bales, estimated to have been required in the manufacture of 24,500,000 square yards of comforter covering. Expenditures involved in this program totaled around \$27,000,000, of which \$20,300,000 were for lint cotton, \$4,200,000 for mattress ticking, and \$2,400,000 for comforter covering.

The amount of cotton distributed is sufficient for the manufacture of approximately 4,000,000 mattresses and an equal number of comforters. The larger part of the cotton was distributed in the rural areas of the South.

#### WRITING PAPER FROM COTTON

The use of cotton in the manufacture of writing paper continued to be encouraged through a new program for the 1941 fiscal year providing for payments of 4½ cents per pound on 75 percent of the

quantities of cotton purchased and used by participating manufacturers. Quantities of cotton actually approved for purchase approximated 2,500,000 pounds, and indemnity payments totaled about \$86,000.

Diversion had not been completed by the end of the fiscal year. Cotton has proved to be so satisfactory, however, that paper mills participating in the program have taken the initiative to make purchases of this new raw material without the aid of indemnity payments.

#### COTTON BAGGING

The cotton bagging programs of the Surplus Marketing Administration have made available to American farmers cotton bale wrappers, or "patterns," made of a domestic material, and have partially eliminated the dependence on patterns made from fibers grown outside of the United States.

The 1941 program provided for the manufacture and sale of 2,000,000 patterns. Payments were made at the rate of 15 cents per pattern. Four concerns, located in three of the southern cotton growing States, participated in the program.

At the close of the 1941 fiscal year, 1,239,000 patterns of the 2,000,000 allocated had been manufactured or sold. Because the fiscal year ends about the middle of the usual marketing season for patterns, a program was made effective for the first part of the fiscal year of 1942, which provides for the manufacture and sale of those patterns provided for in the original program for the 1941 cotton crop but which remained unmanufactured or unsold on June 30. The 2,000,000 patterns provided for the 1941 crop will require about 22,000 bales of lint cotton for their manufacture.

Mills having approximately 60 percent of all the cotton spindles in the United States are now making allowance for lighter tare on cotton wrapped cotton bales. Approximately 1,000 merchants are doing likewise.

#### COTTON INSULATION

A large potential market for cotton outside of the textile industry is being developed through a program designed to encourage the use of cotton as an insulating material.

The cotton insulation program for the 1941 fiscal year provided for the manufacture and sale of 6,200,000 pounds of cotton insulation, requiring for its manufacture approximately 14,000 bales of cotton. The program provided for payments of 6 cents per pound of insulation manufactured, excluding backing material, if any. Allocations were available to business establishments that could give evidence of ability to manufacture and sell insulation under the specifications that were established. A representative of the Surplus Marketing Administration was stationed at the point of manufacture to determine compliance with the provisions of the program. Two concerns made applications and received allocations. One later released its allocation and this was reallocated to the other firm which sold the entire amount of insulating material provided for in the program. The entire output was sold through a large distributing agency that has offices throughout the United States.

Many business establishments have become interested in the program and at the end of the fiscal year at least four concerns expressed a desire to participate in the manufacture and sale of cotton insulation if a program should be made effective for the 1942 fiscal year.

#### GRAIN MARKETING PROGRAMS

During the 1941 fiscal year approximately \$27,000,000 were expended or encumbered under programs to aid in the marketing of wheat, corn, oats, rice, rye, and their products. This was done through export, diversion, purchase, and distribution programs.

The export programs, which were begun in 1938, were, during the 1941 fiscal year, necessarily limited in their application to those countries which were not affected by war. Domestic diversion programs, therefore, were relied on principally for the removal of some surplus supplies. The programs operated during the year included purchase and diversion operations for wheat, corn, oats, rice, rye, and their products, and export programs for wheat and wheat flour.

#### FLOUR AND WHEAT

Continuing the general flour export program initiated in August 1938, payments were offered to exporters in connection with sales of flour made from wheat produced in the United States for export to countries named in the daily announcements. The program covered exports from the Pacific coast to the Philippine Islands throughout the year, and to China and Hongkong until October 7. From July 17, 1940, to the end of the 1941 fiscal year, payments were made on flour exported to any place on the American continents and adjacent islands, except Alaska, Puerto Rico, and the Canal Zone.

Because prices of wheat in the United States have been maintained by governmental programs at levels considerably higher than those in competing countries, practically no sales of United States wheat flour for export would have been made without the aid of these payments. The rates offered equaled approximately the difference between the cost of United States flour delivered to foreign destinations and that from competing countries.

The wheat export program also followed the export policy promulgated in 1938, but on account of conditions due to the war, it was operated in the fiscal year 1941 on a very conservative basis, and sales were confined largely to the same destinations as those included in the flour export program.

Total contracts for the exportation of United States wheat and of wheat as flour, during the year, amounted to the equivalent of nearly 30,000,000 bushels of wheat, at a total indicated cost of \$4,500,000. Of the total quantity, around 3,300,000 bushels represented sales of wheat for export, and the balance was in the form of flour.

The domestic programs included purchases of wheat products for direct distribution through welfare agencies as well as the inclusion of wheat flour on the list of foods available under the Food Stamp Program. The commodities distributed included wheat flour, enriched wheat flour, and whole wheat (graham) flour.

Altogether, programs operated for wheat during the 1941 fiscal year accounted for over 34,000,000 bushels of wheat, at a cost of

over \$21,000,000, all directed into otherwise unobtainable export markets or domestic uses outside normal channels of trade.

#### DAIRY PRODUCTS MARKETING PROGRAMS

Programs designed to encourage the consumption of dairy products and stabilize markets for producers continued to operate during the 1941 fiscal year. Principal activities under these programs may be summarized as follows: (1) Butter continued on the list of commodities under the Stamp Program from July through May; (2) seasonal stability of dairy products' prices was encouraged through purchase, storage, and sale of butter under the butter-loan program, butter purchased under the 1939-40 loan program was bought by the Surplus Marketing Administration for direct distribution purposes, and all loans were repaid; (3) limited purchases of butter were made on the markets for distribution uses; (4) quantities of evaporated, condensed, dried, and malted milk were bought for the Red Cross out of a special fund established by Congress; and (5) beginning in March, American cheese, evaporated milk, and dry skim milk were purchased under the lend-lease program. These activities were in addition to the operation of the low-cost milk programs and the marketing agreement programs.

During the 1941 fiscal year, a total of around \$16,000,000 was expended under programs for increasing the domestic consumption of milk and its products. Of the total expenditures, about \$12,000,000 were spent for butter, of which \$10,000,000 were for Food Stamp Program purchases. Expenditures in the low-cost milk programs exceeded \$3,000,000. Quantities of dairy products used for direct distribution purposes included over 35,000,000 pounds of butter, of which about 29,000,000 pounds were bought by needy persons with blue stamps.

#### BUTTER MARKET STABILIZATION

A butter-loan program, similar to those in operation during the two preceding seasons, continued in effect in 1940-41 as a part of the program to stabilize dairy products prices and improve incomes to dairy farmers. The loan program, which is principally a stabilization plan, has been used in close coordination with the purchase and distribution programs and has continued to serve, during a period when butter was being distributed under the Food Stamp Program, as a stabilizing influence in the market, ready to prevent unreasonably sharp price fluctuations.

The 1940-41 program continued to operate through the Dairy Products Marketing Association, a nonprofit corporation established for this purpose, with a membership of eight regional dairy marketing cooperatives representing many producer cooperatives in the major producing areas. In line with the policy for encouraging farmers and their leaders to take an active part in planning and operating farm programs, the board of directors of the Association has included a representative of each of the regional member cooperatives. Recommendations, formulated by the board of directors from time to time, together with those received from other representatives of the industry, have been increasingly helpful in the formulation and operation of programs in the dairy industry.

## LOAN PROGRAM PROVISIONS

Features of the 1940-41 program were similar to those which had been in effect in the two previous seasons. The program provided for Commodity Credit Corporation loans up to \$7,000,000 on up to 25,000,000 pounds of butter, plus additional loan advances for storage and operating costs. Approved warehouse receipts were to be collateral for the loans. It provided that sales could be made to the trade at prices representing a reasonable seasonal increase but not less than the purchase prices and all storage and operating costs, or to the Surplus Marketing Administration for distribution purposes.

Another provision similar to those in earlier programs, which became operative during the 1941 fiscal year, was that if sales proceeds exceeded the amount needed to repay the loans and for operating costs, such excess funds would constitute a reserve to be used for future operations, or turned over to the Surplus Marketing Administration in the form of dairy products for distribution, or be paid into the Treasury of the United States.

Terms and conditions of the program established procedure similar to that for the earlier loan programs to be followed in purchasing and selling the butter. Within the general limitations of the program, actual purchase and selling activities of the Association were to be directed by the Secretary of Agriculture or his representatives.

While the production of butter and other dairy products was relatively heavy, increased consumer incomes associated with rising business activity under the defense program and the expanded sale of butter under the Food Stamp Program helped to maintain market prices of butter during most of the fiscal year, except for short periods during the fall of 1940. Purchases of 65,789 pounds of butter at a cost of \$19,125 were made by the Dairy Products Marketing Association during October and November of that year. This butter was sold to the Surplus Marketing Administration in April 1941 for distribution purposes and all Commodity Credit Corporation loans were repaid.

Under the provision of the 1940-41 program relating to accumulated reserve funds, the Dairy Products Marketing Association bought dry skim milk and turned it over to the Surplus Marketing Administration for distribution. The details of the purchase program were handled in a manner similar to comparable purchases made by the Surplus Marketing Administration. About 5,077,000 pounds were purchased at a cost to the Association of about \$300,000 under awards made in November 1940 and March 1941. Title to the dry skim milk was given to the Surplus Marketing Administration at the point of purchase and the powder was donated in bulk, with containers for packaging, to State welfare agencies for direct and school-lunch distribution.

## AGRICULTURAL TRANSPORTATION CASES AND ACTIONS

Transportation rates and services, important elements in the marketing and distribution of agricultural commodities, are of direct concern to farmers. However, few, if any, individual producers or producers' organizations are in position to deal expertly with the many technical ramifications of transportation. By enacting Section

201 of the Agricultural Adjustment Act of 1938, Congress sought to fill this need for expert assistance to agriculture in dealing with transportation problems.

The responsibility assigned to the Surplus Marketing Administration by the Secretary of Agriculture in administering Section 201 is that of assisting and cooperating with farmers and farm organizations in questions relating to rates, charges, tariffs, and practices in the transportation of farm products. During the 1941 fiscal year more than 85 cases were handled. These included cases handled either through formal proceedings before the Interstate Commerce Commission or through direct negotiations with carriers.

The variety and diversity of the transportation problems that were encountered are indicated in some examples of (1) cases upon which work has been completed, and (2) cases on which work is being continued.

#### CASES COMPLETED

*Watermelons.*—Rail carriers filed with the Interstate Commerce Commission drastic changes in their tariffs covering loading rules on watermelons. In cooperation with shippers' organizations, the rules were protested and the Commission suspended them pending formal hearings. Information was prepared showing the substantial increase in loading expenses which the suspended rules would have placed upon watermelon producers. At the time and place assigned for hearings, the Department's representatives were instrumental in working out a mutually satisfactory compromise set of rules.

*Cotton.*—Producers using rail-water routes via Gulf ports found it impossible to do business on a rail rate of \$1.89 per 100 pounds to New England when boat services from the Gulf ports were curtailed or abandoned. The Department collaborated with producers in preparing an application to the railroads for reduced rates, and supported the proposal before all necessary railroad committees, with the result that rates of \$1.55 from California points and of \$1.45 from Arizona points were published.

*Grain transit.*—The 1941 wheat supply in central Nebraska was deficient, the area having produced a supply only approximately 30 percent of normal. The 200 or 300 country elevators in this area, as a consequence, were confronted with the possibility of being 70 percent vacant at a time when western Nebraska and Colorado areas were coming on with a surplus wheat crop. This being an abnormally unbalanced condition, no stopping in transit for other than local grain had been provided for previously at central Nebraska elevators. The Department had this case listed for emergency handling by the railroads. Conferences were held with producers, grain elevator operators, and railroad executives. As a result, in-transit arrangements were published on shorter-than-statutory notice with the approval of the Interstate Commerce Commission.

*Eggs.*—Cooperatives in Indiana were experiencing great difficulty and additional expense in marketing eggs because cars being furnished them for loading varied so as to size, making it impossible to get the minimum 400 cases in all cars. Negotiations with railroads and car-owning companies by representatives of the Department resulted in the placement of more adequate equipment and in the correction of this difficulty.

*Livestock.*—Railroads throughout the western States filed with Interstate Commerce Commission numerous tariffs under which it was proposed to cancel diversion or reconsignment privileges on stocker-feeder livestock moving on the 85 percent line of rates (1) after unloading at first billed destination, or at an intermediate station between point of origin and first billed destination, or after shipment had left the intermediate station, and (2) on shipments accorded transit privileges other than stopping in transit to complete loading, or stopping to comply with Federal or State laws and regulations, or stopping to feed, water, and rest at consignee, consignor, or owner's request. The Department participated in negotiations with the Interstate Commerce Commission following which, responsive to formal protests, the Commission suspended the objectionable rules. There was a subsequent formal hearing in which the Department participated, and the Commission, after reviewing the testimony, ordered cancellation of the suspended publications. Railroads established sale-in-transit privileges at public livestock markets on shipments moving on 85 percent line of rates.

*Potatoes.*—To relieve a surplus condition in white-potato areas in Mississippi and Alabama, the Department arranged for publication, on less than 30-days' satutory notice, of satisfactory rates and transit rules which permitted shipment of potatoes to Laurel, Mississippi, for manufacture and subsequent reshipment in the form of starch.

*Grain.*—Western and southwestern railroads assessed \$5.50 per car charge for privilege of allowing shippers to place bulkheads in mixed carload shipments of grain. This was merely for the privilege, and did not include cost of lumber, or rental of graindoors furnished by railroads. Through negotiations with carriers, the Department obtained cancellation of this charge.

#### ACTIONS PENDING

Where voluntary changes in rates are negotiated through the cooperation of carriers, considerable time is often consumed in obtaining the concurrence of all carriers necessary to make the changes effective. In cases before the Interstate Commerce Commission, interested parties must present testimony and exhibits in support of their contentions. Considerable time often elapses, therefore, between the filing of a complaint and the Commission's decision.

Because of this, there were pending at the end of the 1941 fiscal year more than 50 cases in which the Department had participated. The problems with which some of these cases deal are indicated by the following:

*Wool.*—To accord producers the opportunity of assembling full carloads during clipping season, railroads in Mountain-Pacific areas authorize the free storage of wool. The Commission ordered an investigation into the propriety of these rules. The Department was represented at the hearing and presented testimony in support of the practice.

*Livestock.*—By tariff rules, appropriately filed, railroads in Illinois, Iowa, and Wisconsin proposed to obligate themselves, under the line-haul rates, to pick up livestock at areas within 10 miles of their freight station in those States. The Commission ordered a

formal hearing as to the propriety of the rules and service. Because of their advantages to the producers, the Department has been actively participating in the case.

*Corn.*—Poultry producers in California, being disturbed over prices of feed, are endeavoring to obtain reductions in rates on corn and other feeds from Iowa, South Dakota, and Minnesota points. The Department made a study of the situation; its representatives have conferred with shippers and railroad officials and the case is pending.

*Dried fruits.*—Due to their remoteness from important eastern consuming areas, freight rates bulk importantly in the distribution costs of West Coast producers of dried fruits. With this in view, the Department began a survey of the rates on dried fruits and is cooperating with producers attempting to work out a solution.

*Potatoes.*—In addition to line-haul charges, the principal railroad serving the Maine potato area assesses a car-rental charge of \$5 per car, which costs producers in the neighborhood of \$175,000 to \$200,000 per season. The Department has been making an analysis of the situation, and its representatives have participated in conferences between railroad representatives and producers.

*Cheese.*—Since the 40,000-pound minimum governing carload rates on cheese from Pacific Coast is more than many markets can absorb, the Department has been assisting producers in obtaining from the rail carriers a rule that will permit stopping in transit of the shipments for partial unloading. A rule has been established governing shipments to points as far east as Chicago, and the case is being pursued further in an effort to obtain extension of territory eastward.

*Perishable freight.*—A number of hearings have been held by the Interstate Commerce Commission in two proceedings involving reasonableness of charges for heater and refrigeration services for perishable freight. Testimony has been of a highly technical nature and involved cost accounting. In response to requests of producers, a representative of the Department participated in these hearings to advise and otherwise assist producers and their organizations.

*Peanuts.*—An informal ruling of the Motor Carrier Bureau of the Interstate Commerce Commission held that shelled raw peanuts are not an agricultural product within meaning of that clause of the Motor Carrier Act which exempts from rate regulation vehicles engaged in hauling farm products. If formally adopted, this would not only increase distribution costs of peanut producers, but would likely establish a precedent harmful to other commodities. Accordingly, the Department filed petitions in supporting the contentions of producers, arranged numerous conferences with producers and others, and presented testimony and evidence at the Commission's formal hearing.



